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GENERAL

Characteristics of Future International Security Environment

40050402 Beijing SHIJIE ZHISHI [WORLD AFFAIRS] in Chinese No 4, 16 Feb 89 pp 14-15

[Article by Li Qinggong 2621 1987 0501, Chen Zhiya 7115 4249 3209, and Zhai Zhihai 5049 1807 3189]

[Text] Looked at in terms of international security, terrible conflicts may arise in the future within a wider scope and at a higher level of intensity. In light of such conditions, how do we formulate new comprehensive national security strategies?

As we enter the final 11 years of this century, there are enormous and far-reaching changes in the international scene. "The cold war is unwittingly dissolving." The world is turning from confrontation to a dialogue, and from tension to detente. Traditional means of contention are becoming obsolete, and peace and development have become the currents of the times.

Nevertheless, we should soberly see that although present detente reduces the threat of war and armed confrontation, it has not and cannot remove conflicts and differences in global politics. Detente is a way to regulate contradictions and conflicts rather than resolve them. In line with changes in global strategy perimeters and power structures, there will be new conflicts of interest among countries and the balance of power in overall national strength. They will erupt at a higher level and within an even wider scope. As for the aforementioned changes, we feel that the following new characteristics will appear in the international security environment.

1. International security will face multidirectional and multiple challenges and threats.

We are just entering such a new age in which, on the one hand, scientific, technological, and economic development zoom along. On the other hand, the ecological environment is rapidly worsening and energy resource reserves are falling; in political terms, the East and West are getting closer; in economic terms, North-South differences are expanding further; major countries are getting rid of some old weapons systems through negotiations, and even more countries are drawing support from scientific and technological progress to expand weapon supplies; the colors of ideology are being diluted while religion and national character are gaining influence. All of this will further complicate the international security environment. A country's security is now far beyond the scope of using military force to suppress invasion. It encompasses overall economic, scientific and technological, diplomatic, and military challenges that will be the most severe threats to a country's existence. At present, not only the two superpowers of the United States and

the Soviet Union, but also many medium- and small-sized countries, are renewing efforts to formulate their own long-term national security strategies to respond to these overall threats and achieve "victory without battle." Whoever is unconcerned and does nothing about reducing the factors for a possible world war will find themselves stuck in an extremely dangerous position.

2. The global change from bilateralism to multilateralism brings hope as well as challenge.

The growth and decline of economic power has accelerated the disintegration of the bipolar systems of the United States and the Soviet Union. New strategic structures have appeared in which the five powers of the United States, the Soviet Union, China, Japan, and Western Europe compete for political power while North America, the Asian-Pacific region, Western Europe, and Soviet Europe compete for economic power. Creation of a multilateral structure will further reduce the influence of and restrain the United States and the Soviet Union, thereby weakening the strength of their military antagonism and reducing the danger of global war. However, while reducing the intensity of antagonism, a multilateral world will simultaneously increase the number of strategic indeterminate factors. As national interests become more prominent and group interests further blend, the forming of international powers and the interdependence of interests will become more complex. In several respects, it will be hard to maintain a strategic global balance of power. As the new strategy environment replaces the old, it will create a partial power vacuum and new points for conflicts of interest, plus the rapid rise of some new military states. In particular, there will be a relative increase in partial wars and armed conflicts in line with the reduced capacity of the United States and the Soviet Union to control world affairs, as well as the horizontal diffusion of high tech, advanced weapons systems. A strategic environment of overall stability and partial unrest not only will bring new opportunities to future national security, but it will also offer more challenges.

3. The development of high technology in military matters will further widen the gap between powerful and weak countries.

Detente is forcing the United States and the Soviet Union to take a giant step in the disarmament process. Although disarmament is only a measure and not the goal, in order to further perfect the military power structure the long-term U.S.-USSR strategy is to adjust military developments and remove unstable strategy elements through reduction of some obsolete weapons systems. In terms of war preparedness developments, the United States and the Soviet Union will further move from quantity to quality, and to the simultaneous development of attack weapons to defensive weapons, from nuclear weapons to conventional weapons, and from the world's surface to outer space in order to maintain their positions of superiority. Contention over high-tech military superiority has become the key to future developments in military preparedness for these

two countries. Besides breakthroughs in the evolution of offensive and defensive strategies, laser, particle, kinetic energy, and computer technology under development will also mean revolutionary changes in conventional weapons. Developments in the three big technologies of microelectronics, accurate guidance systems, and Stealth will multiply the capabilities of conventional weapons. The new generation of strategic and conventional weaponry will spread future wars into space, shrink time, control their scale and unfolding, and increase the costs of losing for ourselves and the enemy. Such a high-tech military development trend will complicate the choice weak nations face, between peace and development. It will further expand the gap between the developing countries and the United States, the Soviet Union, and other technologically advanced countries.

4. The key to use of military force will change from actual combat to deterrence, and to "victory without battle." The United States and the Soviet Union are each adjusting their military strategies, keeping in mind the overall competition and challenges of the next century. The Soviet Union is evolving toward a "defensive defense" strategy. The United States is considering "alternate deterrence strategies," characterized by the switch of emphasis from actual combat to deterrence, striving to attain new "historical superiority" via "victory without battle." The higher position of deterrence in military strategy suggests that in the future, the United States and the Soviet Union will place more emphasis on using actual force as a backup to resolve conflicts of interest. Deterrence will prevent conflicts among great nations from escalating out of control. Furthermore, "multilateral deterrence" will mean more intervention in conflicts of interest among medium- and small-sized countries, and forceful coercion of relatively weak states to yield way in conflicts. In the future, by using deterrence, a country will no longer face the simple question to its security of war or existence. Even more military, political, and psychological pressure will operate as more complex national security deterrence techniques and methods.

Peace is our goal. However, peace without conflict is unrealizable. Unprincipled peace is not true peace. We should seize the current chance to establish our own new comprehensive national security strategy in order to respond to the continuously changing global environment.

UNITED STATES

Challenges Facing Bush's Economic Policy
40050452 Shanghai GUOJI ZHANWANG [WORLD
OUTLOOK] in Chinese No 3, 8 Feb 89 pp 3-4

[Article by Gong Huifeng 7895 1979 1496: "Perspective on the Bush Administration's Economic Policy"]

[Text] On 20 January George Bush formally took charge of the White House and began his 4-year presidential term. After the gun salutes and welcoming smiles of the

celebration, the new president faces a series of difficult economic problems. Just as Bush himself said in his inaugural speech and at the first meeting of his cabinet members, what he must deal with first of all is the financial deficit. Indeed, the financial deficit, the trade deficit, and the competitive strength of the U.S. economy are important issues in the Bush administration's economic policy that must be addressed.

Difficulties for the "Flexible Freeze"

The federal government's enormous financial deficit is a "legacy" that Bush had to accept from Reagan. Eight years ago, when Reagan entered the White House, the federal government's financial deficit was \$33.2 billion. By the day that Bush took office as the president, time had already brought a great change and the financial deficit for 1988 was as much as \$145.4 billion. A problem of the most practical importance is that at the end of 1985 there appeared in the United States the "Balanced Budget and Deficit Emergency Control Amendment" (proposed by senators Gramm and Rudman and also called the "Gramm-Rudman Amendment"), which has now become a law that must be obeyed. It sets the highest permissible financial deficit for every year from 1986 to 1991, and its target is a deficit of zero in 1991. If in any one of these 6 years the financial deficit exceeds the maximum limit by \$10 billion, under this law there will be an automatic cut of that amount by which it exceeds the limit, and the proportion of cuts in defense and nondefense expenditures will be equal. Because in 1986 and 1987 the deficit limits were set quite high, there was no question of violating this law. But in 1988 the actual deficit of \$145.4 billion did not square with the limit of \$108 billion. Obviously, this discrepancy has become the target of public criticism. The law sets even lower maximum limits for the deficits in 1989 and 1990, respectively \$72 billion and \$36 billion, and in 1991 the limit is zero. Given the situation now obtaining in the U.S. economy and its government's finances, this target will be hard to achieve. Also, all these years are within Bush's presidential term. What policy he will adopt has become a highly sensitive topic that is the subject of much discussion by the U.S. government and public. One difficulty for the Bush administration in balancing the budget is the enormous scale of the federal government. If the consistent policy of the Republican Party is continued, namely, increased defense expenditure and decreased civilian expenditure, the budget will certainly get nowhere in Congress, where the Democratic Party is in the majority and has the power to decide financial allocations. Increasing income by increasing taxes will also get nowhere, because Bush, when campaigning for president, indicated with solemn vows that he definitely would not increase taxes. Many people voted for him precisely because he made this point. If he were to go back on his word, his credibility would plunge to rock bottom. It would then be possible that Bush would not get the votes he would need when running for reelection later.

Looking at the method for solving this problem now put forward by the Bush administration, we see that a "flexible freeze" could be put into effect. This method was proposed by Boskin, a former professor of economics at Stanford University who is now the chairman of President Bush's Council of Economic Advisers. The "flexible freeze" means that in the future the government's annual expenditure (excluding expenditure for Social Security) would be limited to the present level, and, through the method of freezing expenditure while not freezing income, the goal of a balanced budget would be achieved without increasing taxes.

However, it will be very difficult to truly freeze federal expenditure. The budget plan for this year has already been delivered to Congress by Reagan. The plan, which calls for a 2 percent increase in defense expenditure, has been rejected by Congress. The final budget plan, like its predecessor, is bound to be the product of a compromise between the administrative departments and the Congress. As for the method of freezing expenditure while not freezing income, there is hidden in it a very big problem: it requires that for several years in the future the annual rate of growth of the GNP be maintained at more than 3 percent, thereby guaranteeing a sufficient growth in federal annual income. This is easier said than done! Prominent figures in economic academic circles are now making all sorts of forecasts about the possibility of an economic recession occurring next year. Once a recession arrives not only will income be reduced but also expenditure could be increased and the deficit further enlarged. Therefore, some economists estimate that, although Bush is not relenting on the issue of increasing taxes, for a truly balanced budget increases in the taxes on tobacco, liquor, and sales will be unavoidable.

Moving From Free Trade to Trade Protection

The situation in U.S. trade faced by the Bush administration provides no cause for optimism. Beginning in 1985, the exchange rate for the U.S. dollar has repeatedly fallen and has stayed, from beginning to end, at a fairly low level. In 1987 the U.S. trade deficit was \$160 billion and in 1988 it was still about \$120 billion. In the United States the trade deficit and the foreign trade policy have become political issues which have compelled the administrative departments and the Congress, when formulating policy, to take into account the voters' interests in their demand for employment to such an extent that, at the same time as the administrative departments and the Congress oppose trade protectionism, they are putting into effect a policy of trade protectionism. To solve the problem of economic recession, the Bush administration will have to surmount the difficulties between these two courses of action.

This year—the year in which Bush assumed office—is one in which the U.S.-Canadian Free Trade Agreement went into effect, and a unified market for North America is now taking shape. Although the two sides declared that

their own trade plans were not cases of trade protectionism and that other countries and regions did not need to have misgivings and worries about the harm done by trade protectionism, in reality the other countries and regions have taken a skeptical attitude toward these declarations by the two sides. At the beginning of the new year, friction suddenly appeared in the trade of beef and other products between America and Europe, and retaliatory tariffs began to be imposed on some products imported from the other side. Another problem of great difficulty for the Bush administration is how to deal with this trade friction.

At the moment it looks as if the Bush administration will basically continue the trade policy of the Reagan administration, making fairness and reciprocity the slogan of its trade policy, forcefully demanding that other countries open their markets to it, and not hesitating to use the tough measures of trade protectionism to attain its goal. The "1988 Comprehensive Trade Law" has taken legal effect. It has a distinct flavor of protectionism; it will force President Bush to take a tougher position with regard to bilateral trade, especially the entry of U.S. products into foreign markets. Mosbacher, the secretary of commerce appointed by Bush, has clearly indicated that he will implement this stringent trade law. Speaking of multilateral trade talks, the new round of GATT [General Agreement on Tariffs and Trade] talks in Uruguay will continue into 1990. The results of these talks will have a direct bearing on the Bush administration's foreign trade policy, and will certainly affect the foreign trade policy after the Bush administration is gone. The United States will continue to take a tough stand on the issues of agricultural products, intellectual property rights, and labor and serviced trade. It has already complained about the uncooperative attitude at the Uruguayan round taken by the other Western countries on these issues. Therefore, in these respects the Bush administration is consistent with the Reagan administration.

Of course, the Bush administration could adopt toward its trading partners in Asia a tougher policy than the previous ones. Looking at the trade situation in September 1988, we see that the United States' adverse balances of trade with Western Europe, Canada, and Latin America have decreased, but that its adverse balance of trade with Asia, particularly with the "four small dragons" [Hong Kong, Taiwan, South Korea, and Singapore] of Asia and with Japan, has increased. There are daily increasing demands in Congress for opening Asian markets, and the target of focus has expanded from Japan to South Korea and Taiwan. The widespread preferential treatment given to the "four small dragons" has been formally abolished. On the question of the trade in textile products, the rate of growth in imports will be held to a fairly low level, not exceeding 3 percent, and this action will also directly affect China's exports to the United States.

Besides concluding the U.S.-Canadian Free Trade Agreement, the United States is trying to expand this kind of

trade agreement to other regions. [Peter] Allgeier, the U.S. assistant trade representative, has said that this spring a formal report will be submitted to the new administration, setting forth an "Asian-American Proposal" plan, under which, by means of talks between the U.S. government and Asian governments, there will be set up, in a certain form, an Asian-American Free Trade Zone. The degree of cooperation in this zone will be decided after a look at the results of these talks. There could be close consultation between the two sides, and there could also be a free trade zone similar to that set forth in the U.S.-Canadian agreement. The proposal includes regional investment agreements (expansion of bilateral investment agreements); basic agreements similar to the agreement reached by the United States and Mexico; trade cooperation in some commodities and even a break with the GATT pattern; and so forth. The goal of this proposal is to strengthen the economic relations between the United States and the Asian region and to expand the markets in Asia for U.S. products.

SOUTHEAST ASIA/PACIFIC

Singapore's 'Secret' for Preventing Corruption, Obviating Foreign Loans 40050538

[Editorial Report] Shanghai SHIJIE JINGJI DAobao in Chinese of 1 May 89 carries on p 1 a report by Luo Si [5012 2448] describing Singapore's relatively noncorrupt government and how an innovative economic measure produces funds for public housing and other facilities commonly requiring foreign loans.

SHIJIE JINGJI DAobao usually carries items such as this on page 4 under the column "International Economics and Politics."

The reporter begins by pointing out that the crisis facing Noboru Takeshita in the wake of the Recruit bribery scandal serves as yet another reminder that corrupt governments must inevitably eat their own bitter fruit. Posing the rhetorical question, "How can a government

keep itself clean and what systemic means can it use to ensure honesty?" Luo notes that while economically successful countries generally have developed systemic means to prevent corruption, Singapore has been outstandingly successful and stands a cut above the other nations of ASEAN. He finds that Singapore's secret is that the country's most important government officials are honest and upright and, furthermore, demand high standards of the rest of the government. One safeguard built into the system is that civil servants are paid good salaries so they do not have to resort to bribery and other illegal activities in order to make a living. Another is the Corrupt Practices Investigation Bureau (CPIB), an agency under the Prime Minister's Office, which specializes in the investigation of bribery among government officials. Luo points out that in Singapore it is against the law for the children of government officials to take advantage of their parents' position while engaging in commercial and private business. As a deterrent, if a civil servant is fired or sentenced because of corruption, the government will revoke the employee's retirement pension.

Turning to economic problems, Luo reports on Singapore's solution to a problem that China shares, namely, worker evasion of taxes on above-quota bonuses by enterprises. Singapore requires both employers and employees to contribute one quarter of their salaries to a public fund which is in reality a system of forced savings and social security. The money is managed by the Central Provident Fund Board which pays interest at the bank deposit rate. Workers are not allowed to collect their money until they retire and they must still leave on deposit 30,000 Singapore dollars for social security purposes. The Singapore government uses the huge funds so accumulated to build public housing which is sold to workers at low prices. Workers purchase such housing using their own contributions to the Central Provident Fund. As a result of such measures, Luo notes, 85 percent of Singaporeans are homeowners. Furthermore, Luo points out, Singapore has used the fund to build airports, subways, and other public facilities without having to resort to foreign loans.

Party Organization's 'Willful Interference' With Judicial System

40050409 Beijing XINHUA WENZHAI [CHINA
DIGEST] in Chinese No 1, Feb 89 pp 19-23

[Article by Ma Peiwen 7456 3099 2429 and Chen Zongli 7115 1350 4539: "Several Theoretical Problems Raised by the Unjust Case Against Wang Shengfu 3769 3932 4395"]

[Text] 1. The Party Leadership Problem

No sooner is the slogan of upholding the party leadership to improve the party leadership raised than discussion arises among theoretical circles who maintain that the wording should be inverted to improve the party leadership to uphold the party leadership. Because our party has long been ruled by "leftist" guiding ideology, many of the party's leading cadres are in the habit of thinking and acting in "leftist" terms. To them, support for the party leaders actually means continuing to support "leftist" guiding ideology, which is diametrically opposed to the line followed since the 3d Plenary Session, so how is good leadership possible? In addition, since the quality of some leading cadres is not high, and since they practice bureaucratism, factionalism, and a commanding officer mentality to one degree or another, using their public trust for private gain, how can there be good leadership without diligent "reform" to get rid of these abuses first?

Practice has demonstrated that to uphold the party leadership while improving the party leadership is the only correct thing to do.

Comrade Zhao Ziyang said in his report to the 13th Party Congress, "Only by improving the party leadership system, leadership methods, and leadership style will it be possible to enhance the party's leadership role."

The case of injustice to Wang Shengfu tells us once again that improvement of party leadership is extremely necessary and extremely urgent. This case of injustice was created jointly by a certain provincial petroleum bureau CPC committee and a provincial CPC committee, and these two CPC committees persisted in their error, unwilling to redress their mishandling of the case for a very long time.

The case of injustice involving Wang Shengfu was closely related to the "leftist" guiding ideology.

First of all, attacks against economic criminals require painstaking investigation before reaching a verdict. However, the petroleum bureau CPC committee conducted matters like a political campaign, holding meetings, making broadcasts, publishing data in newspapers, calling for the exposure and reporting of offenses, and declaring that anyone who did not distance himself from Wang Shengfu would be punished. Thus, everyone felt endangered, and the atmosphere was extremely tense.

Consequently, not a shred of evidence existed to support the shocking charges against Wang Shengfu that were announced at the outset. The deputy secretary of the bureau's CPC committee who was in charge of Wang Shengfu's case finally made the surprising remark that "the conclusions that the organization has given you are evidence."

Second, in a 1944 article he wrote for the purpose of exposing and criticizing the "leftist" line titled, "Study and the Current Political Situation," Comrade Mao Zedong said, "Adoption of a cautious attitude in dealing with people's problems, being neither equivocal and perfunctory nor hurting comrades is one of the indicators that our party is flourishing and developing." But the provincial CPC committee and the petroleum bureau CPC committee acted in haste to mete out the highest penalty the party can impose even though the facts were not clear, evidence was lacking, and the person involved refused to sign the party's decision to cancel his membership. Although the petroleum bureau CPC committee suggested an investigation to fix criminal responsibility in its report to the party CPC committee about dealing with Wang Shengfu, since the party discipline committee believed at that time that cancellation of party membership and dismissal from duties were severe enough; it did not agree with a reinvestigation to fix criminal responsibility. However, the provincial CPC committee was determined to agree with the petroleum bureau CPC committee's view. It detained, arrested, tried, and exercised "special control" over Wang Shengfu that trampled the law and was inhumane. It not only seriously damaged Wang Shengfu's political life, but also harshly trampled Wang Shengfu's freedom of person. All these actions were the evil consequence of a "leftist" guiding ideology.

Comrade Mao Zedong said: "Centralize power in one man's hands to deal with major issues; decentralize power to deal with minor issues, all parties doing whatever the party CPC committee decides." This is, in fact, advocacy of the party's absolute leadership, and advocacy of no separation of party and government, the party taking the place of the government. This slogan is outdated, and in conflict with democratization and systematization; it should be abandoned. People's congresses are the organs of power expressly provided for in the constitution. When the party "centralizes power in one man's hands" to deal with major issues of judicial organs, does not the independence of the judiciary become the dependence of the judiciary?

However, articles written on paper are a long way from becoming realities in life. For a long time the authority of the party organization has been unduly great, and the authority of organs of state power and judicial organs has been unduly small. Their dependence is very great, and their independence is very small. Look at the facts.

For example, Wang Shengfu made many appeals for an audience with high authorities in the provincial capital for 28 months, and he appealed to the Provincial People's Congress 28 times. Officials in charge in inquiry

offices, administrative offices, secretariats, and legal system committees listened to his appeals, sympathized with him, felt embarrassed, and unanimously maintained that nothing could be done. Wang Shengfu lost his temper. "You are constitutionally established organs of state power vested with major powers for monitoring implementation of the law. My wrongful case has dragged on for many years, and I have appealed to you many times, but all you do is let matters drift. You actually connive in protecting the trampling of the law. You are derelict in your duty. If you continue to pay no heed, I will report you to Commissioner Peng Zhen [1756 4176]." So it was that on 3 November 1986 eight people took part in a meeting chaired by Song Lin [1345 2651], chairman of the Standing Committee of the Provincial People's Congress, including the deputy chairman of the Provincial People's Congress, and the chairman and deputy chairman of the Legal System Committee of the People's Congress. They solemnly listened to Wang Shengfu's appeal. On 5 November, Song Lin ran into the provincial CPC Committee secretary, with whom he talked about the People's Congress having heard Wang Shengfu's appeal; he recommended that the Provincial CPC Committee resolve the problems at an early date, the sooner the better in order to avoid being in a passive situation. On 14 November, he wrote a formal report to the provincial CPC committee.

However, "major power" to monitor the judiciary was still "centralized" in the provincial CPC committee. The decentralized power given to organs of power was only the "small power" to appeal like that of the public. The provincial CPC committee also dealt with appeals from power organs in the same way that it dealt with appeals from the public, namely putting them aside and paying them no heed. Wang Shengfu's unjust case dragged on for another 13 1/2 months.

The case of injustice to Wang Shengfu was also related to the bending of the law for the benefit of relatives and friends, and the mutual protection of officials. In the process of investigating and punishing Wang Shengfu, the actions of some members of the petroleum bureau CPC committee had a marked character of getting even for personal grudges. This was not the case with the leaders of the provincial CPC committee, which did not know Wang Shengfu and was not swayed by feelings of either gratitude or resentment. In its case, the miscarriage of justice was attributable solely to "leftist" guiding ideology. However, when finally no convincing evidence could be found for Wang Shengfu's criminal conduct, the procuratorate did not want to file suit, and the court did not want to render a verdict. The court, in particular, resisted pressure from the provincial CPC committee, and insisted on a separate trial. After announcing that Wang Shengfu was not guilty and releasing him, the provincial CPC Committee and the petroleum bureau CPC committee colluded in a refusal to rehabilitate Wang Shengfu over a 2 years and 9 month period. This was related to erroneous ideology such as misuse of authority for private gain, and covering up errors.

The covering up of errors, or "hiding shortcomings" as it is called, is a despicable habit gradually fostered under the guidance of "leftist" ideology to absolve oneself from error. Nor were the provincial CPC committee and the petroleum bureau CPC committee exceptions. They supposed this to be the best way to maintain prestige and protect their face. Practice shows quite the opposite.

2. The Problem of the Independence of the Judiciary

The noted 19th century British historian John Acton said, "Unlimited power inevitably leads to the corruption of rulers." The shocking corruption that has appeared in our ranks is closely linked to the overcentralization of the party's power.

The 18th century enlightenment thinker Charles Montesquieu said in his renowned *L'Esprit des Lois*, "All persons having power are prone to misuse that power, and this has been the experience throughout the ages." He also said, "Prevention of the misuse of power requires the use of power to limit power."

The experience of the international communist movement, the experience of the USSR, eastern Europe, and our own country since its founding, and particularly the experience of the USSR during the elimination of counterrevolutionaries and of China during the Cultural Revolution, have demonstrated yet again that the judiciary must be independent. Even in socialist countries there is need for "the use of power to limit power."

An independent judiciary is "the use of power to restrain power," which is necessary to prevent the "misuse of power" by the party leadership. This point has been clearly written into "the Constitution of the People's Republic of China." Article 12 of the constitution provides that "People's courts are to exercise judicial authority according to provisions of the law without interference from administrative organs, social groups, and individuals."

The cause for, and the long continuation without redress of the unjust case against Wang Shengfu was an inevitable evil consequence of judicial organs having lost their independence to exercise prosecution authority and judicial authority.

The provincial CPC committee may recommend investigation to fix criminal responsibility, but whether judicial units accept the recommendation depends on whether it is consistent with provisions of the law. If it is consistent, it is accepted; if it is not, it is not accepted. This is the only way to express the independent spirit of the judiciary.

Certainly, the reason for Wang Shengfu's tribulations in being detained, arrested, and sentenced after cancellation of his party membership and the revocation of his duties showed party organization interference with the

law, and that the judiciary is not yet independent. The main responsibility for this situation rests with the provincial CPC committee and not with the judicial organs.

On 17 May 1987, a deputy secretary of the provincial CPC committee made a speech at the Provincial Political Science and Law Work Conference in which he said the following: "A small number of party and government leading comrades fear that the talk of 'substituting commands for the law,' 'substituting authority for the law,' and 'interference in the exercise of the law,' etc., would become reality. They are loathe to lead political and legal work courageously; they refuse to pay close attention to matters that they should pay close attention to, and they do not control matters that should be controlled." Judging from the case of injustice to Wang Shengfu that occurred in this province, there is no fear of talk becoming reality but it actually exists that "talk is substituting commands for the law," "substituting authority for the law," and "interference in the exercise of the law." During the formation of the unjust Wang Shengfu case, it was not that the provincial CPC committee "did not dare to lead courageously," but rather that it dared to exceed the bounds of the constitution and laws in violation of the fundamental national law, and a departure from the party constitution. It paid close attention to matters that it should not have paid close attention to, and it controlled matters that it should not have controlled with the result that it seized hold of and controlled a major case of injustice that endured for 6 years. This lesson is sufficiently sad, and sufficiently profound.

The unjust case against Wang Shengfu was positively not accidental; it was part and parcel of the ideology of comrades in responsible positions in the provincial CPC committee, and in some units of the provincial CPC committee.

In an 11 November 1985 discussion of Wang Shengfu, secretaries of the provincial CPC committee standing committee, and the provincial political science and law committee said, "CPC committees may interfere in the law." On the 13th day of the same month, while talking about Wang Shengfu, a deputy secretary of the provincial discipline committee said, "Centralized party leadership means clearly that the party may interfere with the law." In discussing Wang Shengfu on 13 January 1986, a deputy chairman said, "You cannot apply mechanically the provisions of the law; legal provisions should also be applied flexibly as circumstances warrant. The party leads all!"

One can see from these remarks the continued existence of quite a view outmoded ideas in relations between the party and the law, such as "the party's centralized leadership," "the party leads all," and "the party may interfere with the law." These outmoded ideas are out of tune with the spirit of "the party must operate within the purview of the constitution and the law," which was written into the party constitution that the 12th Party

Congress passed on 6 September 1982. It also runs counter to the provisions of the constitution that the Fifth NPC passed on 4 December 1982, which provides that "no organizations or individuals have prerogatives outside the constitution and the law."

The 10 July 1984 CPC Central Committee notice on the need for the whole party to lend resolute support the socialist legal system specially pointed out that "some organizations willfully interfere with the normal work of judicial organs, coerce judicial organs to act according to their desires, and coerce revisions of, or refuse to execute, court judgments" This was the practice of the provincial CPC committee in the handling of the Wang Shengfu case. To cite one example, the holding of a session of the intermediate court was entirely the "normal work of a judicial organ," but the provincial CPC committee "willfully interfered." First, it refused to permit the court to open in the west, requiring that the court session of the intermediate court be held in place. It was also allowed only to hold a small session. Thanks to the trial judge's upholding of the spirit of an independent judiciary, the provincial CPC committee was finally forced to abandon interference in the location of the court session. Next, the provincial CPC committee continued "willful interference," declaring that a not guilty verdict was acceptable, but with no immediate release of the accused, who would have to be returned to prison custody for several days before release. This directly violated Article 152 of the "Criminal Litigation Code," which provides that "When a court of the first instance determines a defendant to be not guilty and voids criminal punishment, should the accused be in custody, he is to be released immediately following the announcement."

This is probably what is meant by "the party leads all," and the "party may interfere with the law"!

Possibly some people may doubt whether, at this rate, the party can exercise leadership over judicial units and judicial work.

First of all, the country's constitution and various laws are formulated under leadership of the party and approved by the NPC. The constitution and the laws may be said to centralize the will of the party, the nation, and the people, and strict and conscientious handling of affairs in accordance with the law expresses the leadership of the party.

Second, the judges in people's courts at all levels, and prosecutors in people's procuratorates at all levels are recommended by the party, and directly elected by people's congresses at all levels. So long as they are loyal to the principle of "taking facts as the basis, and taking the law as the criterion," their work will also reflect the leadership of the party.

In addition, the constitution provides that peoples courts at all levels, and the people's procuratorates at all levels are responsible to the organs of state power that they serve, and organs of state power at all level also have to supervise the work of people's courts and people's procuratorates at all levels. The party's leadership is also reflected in this responsibility and supervision.

Finally, the constitution provides that "The Supreme People's Court supervises the trial work of local people's courts at all levels, and that special people's courts, and higher people's courts supervise the trial work of lower people's courts." It also provides that "The Supreme People's Procuratorate leads the work of local people's procuratorates at all levels, and of special people's procuratorates, and superior people's procuratorates lead the work of lower people's procuratorates." This supervision and leadership likewise reflects the leadership of the party.

Certainly problems with this or that kind of violation of the law may arise in the work of people's courts and people's procuratorates. These problems should be supervised by organs of state power, and by superior people's procuratorate leadership of lower people procuratorates for resolution. They should not be solved by party organization interference with the law. Practice shows that more harm than good results from such interference. Not only can abuses such as the "substitution of commands for the law," and the "use of authority to suppress the law" occur, but "the party may replace the government," making it impossible for the organs of state power to exercise the functions that the constitution sets forth.

In individual cases involving important thorny problem, when judicial organs and the party organization believe it necessary, the party CPC committee may be asked to discuss matters. Judicial organs should also listen and give serious attention to the CPC committee's views. However, this positively does not mean that the CPC committee may directly examine and approve cases. The specific way in which cases are to be handled must be decided by people's procuratorates and people's courts according to law. This kind of CPC committee discussion is entirely different than interference in the law.

Some may point out that in providing not only for people's courts' independent exercise of trial authority, and people's procuratorate exercise of prosecution authority, but also that they "should not be interfered with by administrative organs, social groups, and individuals," articles 126 and 131 of the constitution do not mention interference by the party organization. Does this mean that the party organization may interfere? Such a perception is a natural one, but lack of a clear statement of "no interference by party organizations" in the constitution is not equivalent to the constitution calling for party organization interference. Nevertheless, such a wording clearly benefits party organizations and party leaders who like to and who are in the habit of

interfering with the law, and is disadvantageous to those responsible for implementing the independence of the law and increasing the power of the country's legal system. This is because, first, for a long time there has been no separation of party and government in the country's political system, the party taking the place of the government. The prestige of party leaders is generally higher than that of the prestige of other leaders, including the organs of power. Second, the country's protracted feudal society fostered the habit of the "rule of man"; a "rule of law" concept was lacking. In addition, a "leftist" guiding ideology has held a ruling position for a long time, the will of officials frequently taking the place of the legal system. Third, party cadres have not studied the law and do not understand the law, much less respect the law. For these various reasons, the party organization is very prone to "substitute commands for the law," and "the law obeys commands." Therefore, we suggest that articles 126 and 131 of the constitution be revised, article 126 being changed to read that "people's courts have independent authority in accordance with provisions of the law, and are not to be interfered with by the party organization, administrative organs, social groups, and individuals." Article 131 should be changed to read, "people's procuratorates have independent prosecution authority in accordance with provisions of the law, and are not to be interfered with by the party organization, administrative organs, social groups, and individuals." This will enable full exercise by the organs of state power and organs of local power of supervision over the work and functions of people's courts and people's procuratorates. For a long time, constitutional provisions relating to organs of state power exercise of supervision over people's courts and people's procuratorates have amounted to empty phrases, neither state or local organs of power having any such power.

Without reform of the party leadership system, and without limitations on party organization interference with the law, not only will it be impossible to realize an independent judiciary, but the country's basic political system will also be adversely affected, namely the true building and consolidation of the people's congress system.

3. The Opinion Monitoring Problem

In his "Government Work Report of 25 March 1989," Acting Premier Li Peng noted a "need to exercise the opinion monitoring role of news media, and to support their open criticism and exposure of decadent practices such as bureaucratism and violations of discipline." This statement is extraordinarily important, and the word "support" is particularly important. News workers have realized for many years that they have a public opinion monitoring responsibility, but they frequently have been unable to obtain party organization support, with the result that this power either ended up in failure or sank into a predicament of serious difficulties.

The reason why the unjust case against Wang Shengfu went on for 6 years, and that it took 2 years and 9 months from the time that the intermediate court found him not guilty and released him until he was rehabilitated, was that there was no periodical in the country that exercised opinion monitoring in this miscarriage of justice. This resulted in the "putrid situation" of "violation of the law and discipline" in this "unjust case not being criticized and exposed," the violators feeling secure in the knowledge that they had strong backing with nothing to fear.

However, central news units in the province did not forget their public opinion monitoring responsibilities. Though they wrote no open reports, internally, they actively reported the situation regarding the Wang Shengfu miscarriage of justice. Practice demonstrated that certain leaders in the provincial CPC committee were extraordinarily fearful of public opinion monitoring. On 26 September 1986, when the Broadcasting, Cinema, and Television Department published materials titled "Certain Provincial CPC Committee and Provincial Discipline Committee Leaders Seriously Interfere With Judicial Organs Handling of Cases According to the Law" in their internally circulated publication titled "The Situation," some people in responsible positions in the province lambasted it, terming it "rumor mongering" and "pure fabrication," or even went so far as to unleash a phrase from the Cultural Revolution, saying it was "pointing the spear at the provincial CPC committee." Public opinion monitoring does include the monitoring of party organizations after all, and a provincial CPC committee is a party organization, so why can it not be supervise or "direct" the provincial CPC committee?

In early 1987, responsible persons in the provincial CPC committee again linked newspaper reporting of the situation to central authorities to bourgeois liberalism. If they called reporters who reported the situation to the central authorities "bourgeois liberals," that just showed that what the provincial CPC committee wanted was a feudalistic dictatorship. "Just who is it who was in need of 'rectification' and 'purification'?"

When the provincial CPC committee standing committee and the provincial CPC Committee propaganda department director met with reporters in March 1987, they asked the reporters "not to have anything further to do with the Wang Shengfu case," and to "adopt an attitude of letting bygones be bygones" in an effort to quiet down their violation of the law in the unjust case against Wang Shengfu so that those who perpetrated the unjust case could get some peace. This showed just how much the provincial CPC committee feared the monitoring of public opinion in the Wang Shengfu case!

On 23 August 1983, the provincial newspaper published on its front page the story of the provincial CPC committee's approval of the cancellation of Wang Shengfu's party membership and the cancellation of his official duties under the headline "One Chi and two Cun" (to

describe the size of the headline). On 1 March 1988, Wang Shengfu took a copy of the provincial CPC committee decision to rehabilitate him to the provincial newspaper to request that it fulfill its promise to run a report of the same size and length on this rehabilitation. However, all the responsible person in the provincial newspaper would do was to apologize repeatedly, saying that he would have to request instructions from the provincial CPC committee about how to handle publication. The result of his request for instructions was that "it would not publish news even as large as a matchbox (even smaller than a piece of dried beancurd, the usual metaphor), which showed the provincial CPC committees resolved not to permit public information monitoring.

When the provincial CPC committee mishandled a case, the provincial newspaper publicized the mishandled case, but when the provincial CPC committee redressed the mishandled case, it did not permit the provincial newspaper to report the redressing of the mishandled case. Such logic shows that only the party organization is permitted to monitor public opinion, but public opinion is not permitted to monitor the party organization. Nowadays, greater transparency in our work is being advocated, yet this provincial CPC committee insists on continuing to keep its work in the dark.

When the principal person in charge of the provincial CPC committee would not allow the intermediate court to hold sessions in the west on 1 March 1985, he gave as a reason protecting the face of the petroleum bureau. What was actually involved was protecting the face of the provincial CPC committee as well. Now, when the person in the provincial CPC committee who is primarily responsible for propaganda decided not to permit publication of a report on the rehabilitation of Wang Shengfu, naturally this was also for the purpose of protecting the face of the provincial CPC committee and the petroleum bureau. Lu Xun wrote in a magazine article, "Wanting face and acting shamefacedly are sometimes hard to differentiate." How true! How very true!

On 26 March 1989, the provincial people's broadcasting station broadcast news of the redressing of the injustice done Wang Shengfu inasmuch as this station had also broadcast in 1983 the news of the cancellation of Wang Shengfu's party membership. The head of the broadcasting and television department who had written the final draft of this report told correspondents that he had also taken some risk. Clearly, the provincial CPC committee would go to any lengths to control public opinion!

Article 35 of the constitution provides that "citizens of the People's Republic of China have freedom of speech, press, assembly, and association, and the freedom to parade and to demonstrate." Had a newspaper promptly and systematically disclosed and criticized the unjust case against Wang Shengfu, it surely would not have dragged on for so long, much less would it have been

necessary to shock the central government. The powerful pressure of public opinion would have long since forced the perpetrators of the unjust case and the protectors of the unjust case to make a correction. This could only benefit social order throughout the land.

If only press reports and criticism had "used facts as the basis and the law as the criterion" in the same way that judicial organs handle cases, that is to say without violating the facts much less violating the law, they would have been able to use to advantage their own power to shape public opinion, and restrict the various illegal and presumptuous forces. This would have displayed their capabilities to the full in overcoming multiple abuses resulting from the overcentralization of authority, giving impetus to all-around reform and acceleration of the four modernizations.

Today, news reform has been placed on the daily agenda. We believe that even more important is reform of the relationship between the party leadership and party newspapers, giving more autonomy to the newspapers, and supporting them in the open criticism and exposure of putrid phenomena like bureaucratism and violation of the law and party discipline through the seeking of truth in facts. In this way, the party newspapers can play an even greater role in monitoring public opinion.

We believe that today it is necessary, first of all, to enhance greatly the public spiritedness of newspapers, making newspapers also function as the voice of the people, and making newspapers play a role in monitoring public opinion about the party and government as the only way truly to enhance newspapers' party spiritedness...

The Evolution and Redressing of the Unjust Case Against Wang Shengfu

Wang Shengfu is an outstanding Chinese Communist Party grassroots leadership cadre who is 50 years old in 1989, who has earned nine merit citations, and who served as commander in the test production headquarters in the western part of the oil fields of a certain province, and as CPC committee secretary. He is an outstanding cadre of exemplary moral character, ideological purity, professional competence, political steadfastness, complete wholesomeness, and unbounded loyalty, who is extolled as a leader and who is eulogized by the masses. However, despite a lack of factual evidence, he was turned into a so-called economic criminal who supported other people in the theft of state property and accepted 1,000 yuan in bribes. He was investigated, isolated, arrested, dismissed from his post, removed from the party membership roles, and sentenced to 2 years in prison. This was truly a miscarriage of justice.

In December 1981, the petroleum bureau established a special dossier on Wang Shengfu and announced his suspension from duties pending investigation. In early May 1982, at a work conference that the province

convened to attack economic criminals, Wang Shengfu and vehicle drivers for the western region headquarters, including Li Xueheng [2621 1331 1854], were said to have engaged in collusion inside and outside the bureau, privately engaged in unauthorized mining, and stolen state-owned asbestos from which Wang reaped staggering profits. At the same time, he supposedly stole and sold publicly owned motor vehicles, boilers, steel tubes, and edible oil, obtaining ill-gotten gains amounting to more than 2 million yuan, which he used to build a classy multi-story building in Lanzhou. Later investigation found these charges to be totally unfounded. Ultimately the only question remaining was receipt of a 1,000 yuan bribe.

On 18 February 1982, a public security bureau in a neighboring province sent persons to meet with personnel of the petroleum bureau's special dossier unit personnel to arrange an interview with Wang Shengfu about Li Xueheng. While talking about his personal financial dealings with Li Xueheng, Wang Shengfu said that Li Xueheng still owed him more than 1,000 yuan, and that he was also keeping 1,000 yuan that Li Xueheng's had turned over to him to buy a television set for him. However, after Li Xueheng was convicted in a criminal case, he thought that Li Xueheng might need the money to make restitution, so Wang Shengfu had a person from a certain county public security bureau write a receipt for the money, which he then gave to the public security officer to turn over to Li Xueheng. The petroleum bureau's special dossier section knew all about this. However, when Li Xueheng later acknowledged, as a result of trickery and pressure in obtaining a confession, that he had turned over 1,000 yuan to Wang Shengfu, and Wang Shengfu unexpectedly took the initiative in returning to Li Xueheng the money for the purchase of a television set, he admitted that it was illicitly obtained money uncovered in the investigation.

Acting on orders from the petroleum bureau, on 23 October 1982, the western headquarters CPC committee, discussed the handling of the Wang Shengfu matter. Because it violated provisions of the party constitution, Wang Shengfu refused to attend the meeting, and refused to sign the decision cancelling his party membership. On 17 May 1983, the provincial CPC committee approved the petroleum bureau CPC committee's report on the Wang Shengfu matter, agreed with the cancellation of his party membership and dismissal from his post, and suggested that judicial organs conduct an investigation to fix criminal responsibility. On 23 August 1983, the provincial newspaper reported this news as a headline report on page 1.

On 27 November 1983, the detention of Wang Shengfu was announced, and on 26 February 1984, Wang Shengfu was arrested. At first, the local judicial organ was reluctant to bring suit and could not reach a verdict because of imprecise determination of the nature of the offense and lack of evidence; however, under pressure

from the provincial CPC committee to investigate in order to fix criminal responsibility, it acted against its convictions to bring suit and issue a verdict.

On 4 June 1984, Wang Shengfu was sentenced to 2 years' imprisonment. He refused to accept the sentence and appealed to a higher provincial court. On 10 August 1984, the higher court ruled that "the facts are not clear; evidence is insufficient; the original verdict is overturned, and the matter is returned for readjudication." After painstaking investigation, the intermediate court maintained that there had been a miscarriage of justice, and that the accused was not guilty and should be released. When making a reply to the provincial government, two secretaries in the provincial discipline committee asked whether instead of releasing him as not guilty, would the court simply exempt him from criminal punishment?

The provincial higher court and the local intermediate court refused, and made a joint report to the person in charge of the northwest unit of the supreme court, obtaining support. The intermediate court decided to hold a court session on 1 March 1985 in the place where the western headquarters is located to hear the Wang case. After learning of this, the provincial CPC committee had a responsible officer of the supreme court transmit to the intermediate court the instructions of two secretaries in the provincial CPC committee asking that it hold a small session at the court's home base so as to protect the petroleum bureau's face locally. The deputy magistrate of the intermediate court and the person in charge of adjudicating the Wang case returned the instruction saying: Public notice of the opening of the session has been sent out, and witnesses, the accused, and trial personnel have arrived, so how can the location of the session be changed? You want to protect the petroleum bureau's face; who will protect the law's face. The provincial CPC committee had no choice but to give way, but it made one unreasonable demand, namely not to release the accused on the spot, but to continue to hold him in custody in prison for later release. The intermediate court had to accept this illegal interference.

When the court was called to order, there was standing room only in the auditorium. When the judge pronounced Wang Shengfu was not guilty, bursts of enthusiastic applause arose inside and outside the auditorium.

At 6:00 pm on 14 March 1985, when Wang Shengfu returned to the headquarters location in the company of court personnel, staff members and workers rejoiced as though celebrating a festival, and surged into Wang Shengfu's house to express solicitude.

After Wang Shengfu was found not guilty and released, the local intermediate court sent Wang Shengfu's judgment to the petroleum bureau at once, and informed them do a good job of taking care of the problems arising from the matter. But the petroleum bureau stubbornly boycotted this judgment, read aloud attacks on the

court's verdict, and made speeches attacking the court's verdict in some meetings. In September 1985, the intermediate court suggested to the provincial CPC committee its belief that this unjust case against Wang Shengfu had been artificially perpetrated; consequently, it suggested that the provincial CPC committee rescind the 17 May 1983 decision of the 10th standing committee to cancel Wang Shengfu's party membership, and instruct the petroleum bureau to comply. However, the provincial CPC paid no heed, thereby enabling the petroleum bureau to feel secure that it had backing and need not fear to continue to boycott the judgment.

Subsequently, over a period of more than 2 years, Wang Shengfu appealed a total of 578 times and wrote 275 appeals to the provincial CPC committee, authorities concerned above the provincial level, the central work team and reporters from various central news units stationed in the province without having his unjust case redressed. It was not until a comrade in responsible position in the central government explicitly instructed that the provincial CPC committee decided to rehabilitate Wang Shengfu on 31 December 1987.

Former Associates Praise Hu Yaobang
OW2204102289 Beijing Domestic Service
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[From "News and Press Review" program]

[Text] Over the past few days, comrades of the Organization Department of the CPC Central Committee, the Communist Youth League [CYL] Central Committee, the Central Party School, and the Chinese Academy of Sciences, where Comrade Hu Yaobang assumed posts, and the people of his home county, have been mourning the death of this great proletarian revolutionary.

With tears in their eyes, many veteran cadres gathered to recall the unforgettable days when Comrade Hu Yaobang served as head of the Organization Department of the CPC Central Committee.

Chen Yeping, former head of the Organization Department of the CPC Central Committee, said: Comrade Hu Yaobang quite appreciated the phrase upright and never stooping to flattery. He himself had this open and aboveboard character of a communist. When Comrade Hu Yaobang was appointed head of the Organization Department of the CPC Central Committee, the ultraleftist ideology of the Cultural Revolution remained to be cleared away. Comrade Hu Yaobang upheld the ideological line of seeking truth from facts and boldly and resolutely eliminated chaos and restored order with the courage and insight of a proletarian revolutionary. He redressed past injustices based on false charges, implemented a cadre policy, and solved this major problem.

(Li Qizhen), former deputy director of the Organization Bureau of the CPC Central Committee, and Yang Fatao, former director of the General Office of the CPC Organization Department, said: Comrade Hu Yaobang worked before breakfast, in the morning, in the afternoon, and in the evening. Even at home, he often talked with his associates about work till very late. When we urged him to get some rest, he always declined and said: Work waits for no man. He often went to the mess hall himself and lined up to buy his meal. During the year he worked in the department, he personally replied to and handled 4,000 letters written by the masses.

Zeng Zhi, a member of the Central Advisory Commission and former deputy head of the CPC Organization Department, said: After Comrade Hu Yaobang was appointed head of the department, he directed the department to correct all wrong and falsified cases, no matter how old the cases were and who had approved them in the past. He did three major things: rehabilitated rightists wrongly labeled; found jobs for nearly 10,000 cadres who labored in the 7 May cadre schools; and set up a rehabilitation group for cadres. Many cadres were rehabilitated according to this policy.

Ke Li, former director of the economic division of cadres in the department, said: Not long after Comrade Hu Yaobang arrived in the department, he stressed rehabilitation of intellectuals and implementation of the party's policy on intellectuals so as to bring their role into full play. He also wanted to raise the pay of scientists and technicians. He extensively listened to opinions in all fields, organized the drafting of a circular on raising the pay of scientists and technicians, and effectively helped implement the policy on intellectuals.

Zhou Guangzhao, president of the Chinese Academy of Sciences, said: Although Comrade Hu Yaobang worked in the academy for only a few short months, he made a lasting impression on the academy's scientists and technicians. At a time when the gang of four was still rampant, Comrade Hu Yaobang determinedly organized the drafting of a report outline of the academy, thus playing an important role in reconstructing China's science and technology and encouraging the whole society to respect knowledge, science, and intellectuals.

Song Defu, first secretary of the CYL Central Committee, said: Comrade Hu Yaobang held the position of first secretary of the CYL Central Committee longer than any of the other five first secretaries. Today we are still following what he advocated when he worked in the CYL Central Committee: seeking truth from facts and working with full vitality.

At the party school of the CPC Central Committee, many people recalled Hu Yaobang's work and workstyle when he was vice president of the school.

Shen Baoxiang, former editor of the journal LILUN DONGTAI [TRENDS OF THEORIES], said: Comrade Yaobang stressed the need to correct the things Lin Biao and the gang of four turned upside down with regard to right and wrong in ideological theories. In 1978, he organized an article entitled "Practice Is the Only Criterion for Judging Truth," and widespread discussion on the criterion of truth started. Comrade Yaobang organized and promoted the discussion on the criterion of truth, which contributed greatly to the emancipation of the mind and correcting wrongs before and after the 3d Plenary Session of the 11th CPC Central Committee.

In the early sixties, Hu Yaobang was the first secretary of the Xiangtan Prefectural CPC Committee in Hunan Province. Cadres in Xiangtan City who had worked under his leadership said: Comrade Yaobang worked in Xiangtan for nearly 2 years. He visited almost all the townships in Xiangtan. Together with other comrades he summed up and promoted the experience of Maotian District in driving off poverty throughout the country, winning wide acclaim from Comrade Mao Zedong.

Hu Yaobang was born in an ordinary poor peasant family in (Zhonghe) Township in Liuyang County. He took part in the revolution at the age of 14. For scores of years, he only returned home once. People in his home township said: When he was the general secretary of the CPC Central Committee, he set a rule that none of his relatives or friends should come to Beijing to ask him to do any favors or do things under his name. He told the people in his home township: As the party general secretary, I cannot let people in my home township enjoy special privileges.

A cadre of Hainan Tibetan Autonomous Prefecture in Qinghai who was once received by Comrade Hu Yaobang told our station reporter: When Hu Yaobang was the party general secretary, he visited Qinghai twice and personally called on Tibetan herdsmen in their own tents. He asked after their health with deep concern and encouraged them to display the spirit of the foolish old man who moved mountains and develop Qinghai Province. Without Comrade Hu Yaobang's trips to Qinghai and Tibet, there would not be the fine situation that exists today in work concerning the people of Tibetan nationality.

Cult of Individual Explained in Terms of Ideological Alienation

40050410 Beijing XINHUA WENZHAI [CHINA DIGEST] in Chinese No 1, pp 38-42

[Article by Wang Ruoshui 3769 5387 3055: "The Cult of the Individual and Ideological Alienation"]

[Text] In Early 1984, Hu Qiaomu [5170 0829 2606] published a long article titled "On Humanitarianism and Alienation," which systematically criticized my point of

view. I have already replied to the portion on humanitarianism in an article titled "My Views on Humanitarianism." At the end of that article I said, "I will reply and ask advice about alienation in another article." More than 3 years have passed, and I have been tardy in writing. Today, I am no longer considered a member of the Communist Party, but I still regard myself a Marxist. It is from this position that I take up the alienation issue for discussion with Comrade Hu Qiaomu. This issue is much more complex than humanitarianism, and cannot be exhausted in a single article. First, I will discuss the issue of the cult of the individual and ideological alienation.

The Cult of the Individual and Religious Faith

Hu Qiaomu said that "Marx, Engels, and Lenin all opposed and denounced the cult of the individual, but they did not term it alienation or the genesis of alienation. Only historical materialism can provide a correct explanation of its bearing on an accurate appraisal of the individual role of outstanding leading personages."

Here the author of the article shifted the argumentation. The point at issue is not how accurately to appraise the individual role of leaders, thereby pointing out the error of the cult of the individual, but rather to explain how the erroneous ideology of the cult of the individual got started, and what effect it has had on people. Solution to this latter problem entails use of the alienation concept, and in my view the alienation concept cannot be removed outside of historical materialism.

Marx, Engels, and Lenin indeed did not say that the cult of the individual was alienation, but neither did they see the subsequent serious cult of the individual that occurred first in the USSR and then in China. Consequently, they simply denounced the cult of the individual. They did not make, nor was there any need for them to make, a deep analysis of this phenomenon. Deep analysis of the cult of the individual is a new task that we face. Is it possible that one is not allowed to say anything that they haven't said? Even if some people do so, can such people be said to be Marxists?

"Our party resolutely condemns the Great Cultural Revolution and the cult of the individual. At the same time, we also realize that even during the Great Cultural Revolution the situation remained very complex with regard to people's attitudes toward Comrade Mao Zedong. There were very many changes throughout, and one positively cannot equate it with religious faith."

The significance of this statement is very unclear. Since it disagrees with the equating the cult of the individual during the Cultural Revolution with religion, a reason should be given to show the difference in the nature of the two. But the writer did not do this; all he did was state ambiguously that the situation was "very complex," and that "very many changes" had taken place throughout. What does this mean? Does it mean

that that under certain circumstances the cult of the individual had a religious coloration and that under other circumstances it did not? Does it mean that during one period the cult of the individual resembled religious faith, and that in another period it did not? Neither one. He provided no evidence, but just made a simple snap conclusion from complex, frequently changing circumstances: "One positively cannot equate it with religious faith."

In his "Rectifying the Party's Work Style," Mao Zedong criticized dogmatically regarding Marxism as very mystical, and looking on every work in books as being a panacea for countless illnesses. He said such an attitude is to "regard Marxism-Leninism as religious dogma." Here, Mao Zedong "equated" dogma with religious belief. Over the years, we have never heard anyone (including Hu Qiaomu) disagree with this. So, why is it that equating the cult of the individual with religion not allowed? Does not dogmatism already include a cult of the individual with regard to the classic [socialist] authors? Is not the cult of the individual closer to religious belief than dogmatism?

In talking about the cult of the individual in his report to the 8th Party Congress, Deng Xiaoping called the attention of the whole party to "the numerous, severe evil consequences of the deification of individuals," stressing that "our party also detests and rejects the deification of individuals." When criticizing the cult of the individual (or the personality cult) both in China and other countries over the years, "deification" of leaders has been frequently mentioned. Isn't this "deification" a linking of the cult of the individual and religious belief? Does Hu Qiaomu mean to say that such a thing as "deification" does not exist at all?

I am not saying that there is no difference between the cult of the individual and religious beliefs. Of course there are differences, but they are positively not so great that the two cannot be equated with each other. Phenomena such as regarding the quotations of a leader with religious dogma, and the deification of a leader existed during the Great Cultural Revolution. During the period of the Cultural Revolution, these things reached the limit, even to the point where collective rites were held before the portrait of the leader to "request instructions in advance and report back later on." To say that such things cannot be equated with religious belief is to say that past criticism of the cult of the individual went too far and should be corrected. Hu Qiaomu says that our party resolutely condemns the Cultural Revolution and the "cult of the individual." Does he personally do so as well?

Was the 8th Party Congress' Opposition to the Cult of the Individual Correct?

"The trust in and reverence of our party and the Chinese people for Comrade Mao Zedong shaped during the long revolutionary process stems from his correct leadership

role over a long period of time, and his surpassing contributions to the Chinese revolution. It is very natural and very normal for such reverence to evolve. Even though some people may use incorrect terminology to express this feeling, this cannot be said to be a cult of the individual. The victorious development of the Chinese revolution from 1935 to 1956 attests to this most powerfully."

This is to say that the cult of the individual appeared after 1956, and that prior to this time there was only normal reverence for Mao Zedong. The writer's logic seems to be that had there been a cult of the individual, the revolution could not have developed victoriously. Since the revolution developed victoriously between 1936 and 1956, that proves that there was no cult of the individual during this period.

Does this accord with the facts? Take, for example, the song "The East Is Red," which spread from Yanan throughout the country during this period. The song compares Mao Zedong to the sun, and says that he is the "great emancipator" of the people. Does this sound as though it is simply incorrect terminology, and cannot be said to be the cult of the individual? During the Great Cultural Revolution period when the cult of the individual was at its zenith, this song virtually replaced the national anthem. The phrase "reddest, reddest red sun," which the Red Guards most enjoyed saying, had this song as its inspiration. So how did the revolution develop victoriously between 1935 and 1956? That was because the line that Mao Zedong represented during this period was correct; the cult of the individual had not yet developed to the heights that it was to reach later. Mao Zedong had not, as yet, been carried away by the sounds of long live. Thus, the harm caused by the cult of the individual was not apparent, and people even felt that it was beneficial to the unity of the whole party and the whole people.

Even so, after the Soviet Union criticized Stalin, the 8th CPC Party Congress became alert to this problem. The general program of the Party Constitution of the 8th Congress focused on the erroneous ideology of the deification of the individual pointing out that, "No political party and no individual can be free from shortcomings and errors in personal conduct." In his "Report on Revision of the Party Constitution," Deng Xiaoping also said explicitly that, "the cult of the individual is a social phenomenon with a long history, and inevitably there is a certain reaction against this phenomenon in the life of our party and society."

Please note that this remark was made in 1956, yet today Hu Qiaomu says that until 1956 there was no cult of the individual with regard to Mao Zedong. If so, then the 8th Party Congress' opposition to the cult of the individual was not targeted against anyone.

Hu Qiaomu's thesis not only violates the spirit of the 8th Party Congress, but also runs contrary to a resolution of the 6th Plenum of the 11th Party Central Committee of 1981, that is, "Resolution on Various Historical Problems in the Party Since Founding of the People's Republic of China." This resolution gave high marks to the 8th Party Congress of 1956 and reaffirmed the correctness of the 8th Party Congress' stress on "opposition to the cult of the individual."

Whether the 8th Party Congress was correct in raising opposition to the cult of the individual is no insignificant problem by any means. During the second year (1957) of the 8th Party Congress, not a word in opposition to the cult of the individual appears in Mao Zedong's "On the Correct Handling of Contradictions Among the People," and in "A Speech at the National Propaganda Work Conference." From this time forward, this issue was watered down. In some references from the polemic with the CPSU during the early 1960's, opposition to the cult of the individual seemingly became a "revisionist" plot. Later on it was suggested that there was "no so-called cult of the individual, but that a little bit of a cult of the individual was needed." The consequences of this change in view are known to all. The first step in this process was to depart from the spirit of the 8th Party Congress. This was a historical lesson that Hu Qiaomu should not forget.

Does Such an Explanation Make Sense?

Hu Qiaomu continued: "Later on, normal belief gradually changed into the cult of the individual, first because Comrade Mao Zedong himself became imprudent as a result of success, became divorced from reality and from the masses, and even damaged the party's democratic centralism, excessively concentrating power in a single person. A second reason was that, as formerly, Comrade Mao Zedong was frequently right, while the whole party lacked a mature understanding of various problems (particularly the class struggle problem) during the period of socialism. The cult of the individual was related to this."

This is an analysis of the cult of the individual from two sides. Following this line of argument, it was because Mao Zedong became imprudent, became divorced from reality and from the masses, etc., that the cult of the individual arose. Such an explanation is very strange. If it was normal for a leader who was "frequently right" to be revered in the past, when he became imprudent, divorced from reality and divorced from the masses, thereby no longer being frequently right, people's reverence for him should have declined. Such would also be normal. Why, instead, did a cult of the individual arise? As for talking about damage to the party's democratic centralism and overconcentration of power in one individual, though this is given as a reason for the rise of the cult of the individual, it was actually a consequence of the cult of the individual.

Hu Qiaomu also said that the cult of the individual was also related to the lack of a mature understanding throughout the party of various problems during the period of socialism. He indicated that this particularly meant "class struggle problems." This is also hard to understand. How could an incorrect understanding of class struggle problems lead to the cult of the individual?

The writer of the article did not explain this point in subsequent paragraphs, so we can only guess his meaning from the preceding paragraphs. At the beginning of a quotation given above, Hu Qiaomu spoke about the Great Cultural Revolution as follows, "It stemmed from complex reasons, principal of which was that Comrade Mao Zedong made an erroneous estimate of the class struggle situation in China and of conditions within the party, consequently becoming divorced from the party's leadership collective, and actually coming to rely on a group of sinister and ruthless opportunists. The reason why his mistaken estimate and mistaken leadership were able to control the whole party was naturally related to the extreme authority that Comrade Mao Zedong possessed at that time, and his cult of the individual...."

Up to this point, I agree with what the author of the article has said. "Resolution on Various Historical Problems in the Party Since Founding of the People's Republic" also makes such an analysis. Here the cult of the individual is not attributed to the whole party's erroneous understanding of class struggle, but rather the reason for the whole party being mired in an erroneous understanding of class struggle is attributed to the Mao Zedong cult of the individual. Mao Zedong's and the whole party's erroneous understanding of class struggle was the reason for the Great Cultural Revolution, and not the reason for the cult of the individual. Before the whole party accepted Mao Zedong's erroneous estimate of class struggle, a Mao Zedong cult of the individual "had already taken shape."

So how did this cult of the individual come into being? This is a question that the author of the article tries to go on to answer. But, after more than 10 lines, he tells us again that the formation of the cult of the individual "is related to the situation of no maturation of understanding about the class struggle issue." If this is so, then before the advent of the cult of the individual, the whole party had become mired in an erroneous understanding of class struggle!

Do chickens produce eggs or do eggs produce chickens?
Just what produces what?

Let us analyze this problem a little. If one says that the whole party's understanding of class struggle during the period of socialism was not mature, when the mistake began to be made, was Mao Zedong affected by the whole party, or was the whole party affected by Mao Zedong? I believe it was the latter.

Of course, in 1956 the 8th Party Congress' "Resolution" made the following judgment: "The contradictions between China's proletariat and the bourgeoisie have been substantially solved." Thus, the task was proposed of concentrating energies on the development of the economy and culture. One might say that this was a unanimous understanding of the whole party at that time. Later on, this correct judgment was gradually overturned, and the one who reversed the understanding of the whole party was none other than Mao Zedong. This process began in 1957, but the ability of Mao Zedong to achieve this by himself cannot be said to be related to this cult of the individual. The year 1957 was the year in which the shamefulness of the cult of the individual was exposed, and not the year in which the cult of the individual was born. The birth of the cult of the individual was earlier than when Mao Zedong and the whole party made mistakes about the class struggle, and to attribute the former to the latter is wrong.

The Cult of the Individual Is Ideological Alienation

"One positively cannot just borrow indiscriminately from Ludwig Feuerbach's method of explaining religion, simplistically explaining the specific historical phenomenon of the cult of the individual in terms of alienation. Instead, one must make a concrete analysis using the methods of historical materialism, and proceed from the objective socio-historical background and the development of revolutionary practice."

Hu Qiaomu's reason for opposition to "equating" the cult of the individual with religious faith was to deny that the cult of the individual and religious belief are one and the same, and it was also a kind of alienation.

Allow me to state simply several sentences of Feuerbach. Feuerbach suggested that the secret of theology lies in the study of man. A god is a disguised form of man, man having created god by projecting his own innate character outside of his body. The god's wisdom, will, and love are actually human nature, but in fact they are unbounded and absolutely perfect human nature; therefore, man cannot recognize himself in the god's person. Thus, the relationship between man and the god is reversed; man has a sense of relying on the god, but the god has become an alien and independent entity that is above man and that controls man. The more man affirms God, the more he denies himself. The more man abandons his subjectivity, the more subjective God becomes. Man loses self, and God is no more than the self that man has abandoned. This is alienation; it is alienation of man's innate character.

Marx said, "The basis for antireligious criticism is that man created religion instead of religion having created man. In other words, religion is the self-consciousness and self-perception of those who have yet to find themselves, or who have lost themselves once again."¹ According to Marxist concepts, after a long period of

development, the natural world entered man's self-consciousness.² Self-consciousness emerged and changed from a foundation of social practice, and went through a tortuous process. Marx's and Engels' view of the achievements and contributions of the working class made a religion of the working class' self-consciousness and self-will.³ The awakening of the self-consciousness of the working class is expressed vividly in "The International: There has never been a savior nor reliance on supernatural beings and emperors; creation of mankind's happiness depends entirely on ourselves."

However, the liberation of the working class also requires organization, and requires one's own political party and leaders. Because he embodied the demands of the masses, and exercised correct leadership, the leader gained the confidence of the broad masses of party members, the working class, and the masses of the people. This was normal at the beginning. As the revolution went from victory to victory, the power of the leader and faith in the leader became higher and higher. Soon, this faith became blind, and gave rise to the cult of the individual. People did not ask first "Do these words conform to the real situation?" Instead, they asked first, "Who said these words?" At first, authority was founded on truth; later on, this changed to truth depending on authority for support. Protracted propaganda greatly strengthened and consolidated this sense. Thus, so long as mistaken things carried the leader's imprimatur, people believed them implicitly. Therefore, it was not as Hu Qiaomu said that the cult of the individual emerged only after Mao Zedong had become separated from reality and from the masses. This should be reversed to say that after the emergence of the cult of the individual, Mao Zedong's erroneous line of being divorced from reality and from the masses was able to proceed unimpeded. Even though he had sunk into error, his individual cult continued to rise. Political movement after political movement that combed out those who did not follow blindly, in combination with powerful propaganda instruments, achieved results. Ultimately, this developed into the Great Cultural Revolution.

The Cultural Revolution espoused unbounded faith. Unbounded faith is unconditional faith and absolute faith, a faith that becomes dazzling; hence, it is superstitious belief. The leader is the personification of truth; every word he speaks is truth, and he is the standard for testing the rights and wrongs of everything though he personally is not tested. One may not understand the leader's instructions, but one cannot doubt them. Not to understand results from one's own low level of perception, but to doubt is disloyal and betraying. Therefore, no matter whether one understands or not, it is necessary to carry out the instructions resolutely. Accompanying this unbounded faith is pervasive doubt. Since all confidence is concentrated on one person, there is little about others that merits confidence. Except for the leader himself, or the few people in the "proletarian headquarters" that he trusts, no one else can be believed. This includes, colleagues, superiors, friends, teachers, parents,

brothers, one's wife, one's husband, one's children, and oneself. The less you believe in the masses and oneself, the more you believe in the leader. The leader always shows great foresight, and has keen insight while each of us regularly makes mistakes. Therefore, independent thought is dangerous and reactionary. One cannot think independently of what the leader thinks. Whatever the leader thinks, one should think; and whatever the leader says, one should say.

"Unbounded love." The leader occupies our entire soul, and we think of the leader day and night. You ask me about my interests. My only interest is in reading the leader's books. You ask me what is my greatest happiness. My greatest happiness is to meet the leader. For the leader, I would not fear climbing a mountain of swords or plunging into a sea of flames.

Such unbounded love generates extreme hate. First is hate for those who dare to oppose the leader. "Crush the dog's head," a crime for which even death cannot atone, "strike down into the dust and then give a kick" are means for dealing with such bastards. The more ruthless I am toward "enemies," the more I show my love for the leader. But one cannot only revolutionize others; one must also revolutionize oneself. An enemy also lurks deep within one's own soul, and it is "self." Any desire to enjoy, any thought of individual interest is "self." One has to struggle fiercely against any fleeting thought of "self," struggle every day and every hour. There can be no end to the struggle against "self." This struggle cannot be halted until life ends.

"Unbounded adoration." Only a god is an object of unbounded adoration; therefore, unbounded adoration of a person is to make this person a god. "All things on earth depend on the sun to grow." The light and heat of the sun do not depend on all things on earth. What do all things on earth count for in comparison with the sun? Therefore, another aspect of unbounded adoration is unbounded deprecation. The greater the leader, the more insignificant are we. The wiser the leader, the more infantile we are. Lin Biao's wanting the people of the whole country to "listen to the words of Chairman Mao" was like an adult saying to a child, "Listen to what mama and daddy say." By comparison with the leader, everyone is a small child unable to make its own way without him. The noted Swiss psychologist Piaget said that a child feels that something from its parents that transcends its own spirit is controlling it. The cult of the individual is also like this.

Naturally the fanaticism about the cult of the individual was fanned by the careerists, Lin Biao and Jiang Qing. However, millions upon millions of the masses went along with it. Every Red Guard organization attacked those who had the audacity to defy the supreme instructions, while also bending every effort to show how high they themselves could hold the great ideological red flag in order to avoid coming under attack. People were both spurred on by such a fanatical atmosphere, and also

spurred others on through their statements and actions. This was truly a god creating movement, and while it was creating a god, it created not only large numbers of "freaks and monsters," "capitalist roaders," "counter-revolutionary revisionists," "bourgeois reactionary authority," "traitors," "secret agents," and "five sinister categories," but also created large numbers of people who beat, smashed, and looted, criminals, mad worship of power, "blank examination paper heroes," "little students able to understand large problems," and freaks like Xie Huimin in the novel, *Director of the Team*. Not only was there tragedy in which tens of millions of families were scattered, and families were broken up with some members dead, but the nature of countless people was twisted, their innermost beings scarred, their souls enchained, and their intelligence and wisdom either stifled or caused to develop along evil ways.

At the outset, people gave up their illusions about a savior and recognized their own power, gaining a self-awareness. The leader gained power and won the people's faith by depending on the people. Later on, the situation was turned upside down with the leaders becoming the sun for all things on earth, all things on earth depending on the leader's light and warmth in order to grow. The "savior" repudiated in "The International" was extolled once again as "the great emancipator" in "The East is Red." When the leader was not carrying out the will of the people but his personal will, he was still said to represent the will of the people, and the people also believed the leader and not themselves. The leader represented abstract people's interests, and real people abandoned their own interests to obey the leader, supposing only this to be their own interests. It was said that those who did not take part in the Great Cultural Revolution would suffer double trouble and endure double hardships. In fact, the Great Cultural Revolution caused people double trouble and made them endure double hardships. In order to avoid illusory hardships, they created real hardships. The tragedy of the Great Cultural Revolution lies in a people having willingly turned their fate over to the control of one man, and this man also supposed that the fate of this people should be controlled by him.

This is why I say that the cult of the individual is alienation. Criticism of alienation under socialist conditions, and publicizing socialist humanitarianism is for the purpose of further awakening people's self-awareness and subjective consciousness.

The Social Roots of the Cult of the Individual

Before the advent of Feuerbach, 18th century French materialists had already mercilessly exposed the error of religion, but in explaining the roots of this error, they could only say it was benighted. Feuerbach went beyond the position of the previous generation. Dissatisfied with such a simple denunciation, he sought subjectively and from man himself to explain the genesis of religion. In doing this, he borrowed Hegel's alienation concept.

Marx's agreed with the direction of Feuerbach's inquiry, using alienation to explain religion, pointing out at the same time its shortcomings and lack of completeness. Feuerbach explained god in terms of man's origins, but the man he understood was abstract man. Real man lives in real life. The reason for real society giving birth to the upside down world concept of religion is that the world is itself upside down. Therefore, one has to use real life alienation to explain religious alienation, and advance from criticism of religion to changing reality.

Consequently, the method of historical materialism not only does not reject the alienation method, but includes the alienation method. It makes the alienation method the basis for materialism.

Hu Qiaomu's analysis of the reasons that gave rise to the cult of individualism not only attributes it to Mao Zedong's lack of prudence, etc., but also attributes it to the understanding of the whole party, but the more these two things are explained, the more muddled they become. He emphasizes that the phenomenon of the cult of the individual "must be explained on the basis of the methods of historical materialism," but he is silent on the social roots and the economic foundations for this phenomenon. He emphasizes that the CPC Central Committee has "conducted a scientific summarization" of the cult of the individual phenomenon, but he retreats from this summarization.

Let us examine how the 1981 "Resolution" has been summarized:

"China is a country with a very long feudal history...the pernicious influence on ideology and politics of the long period of feudal despotism remains very difficult to eliminate. For various historical reasons, we have not been able to systematize and legalize democracy within the party, and democracy in the country's political and social life, or although laws have been drawn up, they lack the authority they should have. This provides a condition that enables an overconcentration of the party's authority in one person, arbitrary decisions by one person within the party, and growth of the cult of the individual phenomenon. It also made it difficult for the party and the country to prevent and halt the initiation and development of the Great Cultural Revolution."

What alarms people about this historical materialism analysis is that as the person who sponsored the drafting of this "Resolution," Hu Qiaomu repeatedly forgot the "Resolution's" point of view.

Marx pointed out that an independent individual of the Robinson Crusoe type was an outgrowth of the burgeoning period of capitalism, and that in the social pattern before this time, relations between one person and another were dependency relationships based on natural kinship and submission to domination.⁴ He also noted in "Notes on the Coup d'Etat of Louis Bonaparte" how the living conditions of small scale agriculture enable

[the peasant's] representatives to be determined, and to be their own masters with authority on high who bestows rain and sunshine on them from above. China has had a long history of feudalism, and China has been a boundless sea of small scale agricultural economy in which the influence of feudal ideology and the ideology of small peasant producers runs deep. The democratic revolution led by the Communist Party is based on rural villages, and most of the members of the revolutionary ranks are of peasant origin. Though educated in Marxism, the power of old habits is difficult to eradicate and sometimes recurs in new forms. Even now, among the mass of the people, and particularly the peasantry, many people hope for "honorable officials," and "honest officials" to come "to rule the people." Therefore, the flourishing of cult of the individual ideas is not strange.

Certainly the cult of the individual phenomenon is related to negative influences in the international communist movement, but not much can be said about this here.

Hope Lies in Reform

We have already said that Mao Zedong must bear responsibility for the cult of the individual, and we have also talked about the economic foundation and the historical roots of the cult of the individual. That the cult of the individual generated spontaneously among the masses of the people, and that careerists like Lin Biao and Jiang Qing encouraged and made use of the cult of the individual is beyond doubt. However, other questions remain—namely, why did development of the cult of the individual not encounter serious resistance? Why was it that clear headed people with breadth of vision inside and outside the party were powerless to prevent it? Why was it that the instruments of mass dissemination could not broadcast a different tune, instead becoming a mouthpiece for the cult of the individual. Why was it that the elite of the race like Zhang Zhixin [1728 1807 2450] were willing to sacrifice their lives to criticize Mao Zedong's mistakes? An individual placed himself above the law, and an individual's authority overwhelmed everything. Why is it that such a thing occurred in the USSR, and was repeated in China, yet could not occur in countries like the United Kingdom, France, and the United States?

In addition to historical, cultural and social reasons for this, reasons may also be found in politics and in the system, and this was the lack of democracy and a legal system of which the 1981 "Resolution" spoke. Criticism of the cult of the individual by itself is not enough; the problem must also be solved in the system. In his report to the 13th Party Congress, Zhao Ziyang said, "Our present political system was born out of the era of revolutionary war, was established primarily during the period of socialist transformation, and developed through a process of large scale mass movements and constantly intensified command plans." Such a political system not only cannot prevent a cult of the individual,

but is also prone to the growth of negative phenomena such as bureaucratism, one man rule, special privilege, and transgression of the rights of the people and party members etc. (I believe these also to be manifestations of alienation). The 13th Party Congress summarized the problem in resolute reform of the prevailing political system, which I support. The system changes people, and the system also requires that people change it. Hope lies in reform. Only reform can gain the confidence of the people; only reform can avoid the calamities of the past; and only reform can imbue the country with new vitality.

The cult of the individual is a complex phenomenon requiring deep discussion and study from many angles. I have used only the alienation method to make a little preliminary effort. Some aspects have not been mentioned or developed. Hu Qiaomu said that "efforts to use 'ideological alienation' to explain the cult of the 'individual phenomenon' cannot explain the origin of events beyond providing a simplified caricature, much less can it explain why the party can so easily bring order out of chaos." I acknowledge that the analysis that I have made above remains simple, but no simpler than Hu Qiaomu's. As to whether it explains events, the readers will have to judge. I base my position not on the party's having smoothly brought order out of chaos, but on reform.

Footnotes

1. *Introduction to Criticism of Philosophy by the Hegelian Method.*
2. Engels: *Introduction to Natural Dialectical Method.*
3. Lenin, *Friedrich Engels.*
4. "Economics Manuscript," (1857-1858).

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[Interview by staff reporter Chen Jinsong 7115 0513 2646 with Beijing University teacher Zheng Yongnian 6774 3057 1628: "Seek a Way To Achieve Political Modernization"]

[Text] This reporter recently interviewed Zheng Yongnian, a young teacher at the Beijing University Department of Political Science and Administration, on "How China Can Achieve Political Modernization," a subject in which intellectuals are interested.

Question: Intellectual circles are now discussing how China can achieve political modernization. Would you talk about the causes of this discussion?

Answer: The direct causes of this discussion in the economic field are: The government has lost macrocontrol over economic development, and there have

occurred inflation and other serious phenomena; the direct causes of the discussion in the social and political fields are corruption, serious bureaucratism, and people's low morale. A deeper cause is: The practice of reform has enabled the pick of the intellectuals and advanced elements to clearly understand that reform is a complicated process and must be carried out in a coordinated way. While exploring a way to realize economic modernization, we should also seek a way to achieve political modernization. Only by so doing can we work out a rather scientific strategy for development.

Question: In the discussion, some scholars put forward this political view: "the new doctrine of authority." Would you comment on this political view?

Answer: I think that as far as the exploring spirit of China's realpolitik [shi ji zheng zhi 1395 7139 2398 3112] is concerned, "the new doctrine of authority" is desirable, because this has done away with traditional methods for research and has delved into China's reality to seek a way to achieve political modernization. However, I cannot agree to what the doctrine advocates. "The new doctrine of authority" holds that the transition from a traditional to a modern society necessitates "a period of free development of individuals under the new doctrine of authority." I do not think this is a correct thesis. First of all, power can promote democratization, but not all kinds of power can do so. The old structure of our country, which cannot meet the requirements of modernization and hinders its development, must be done away with. "The new doctrine of authority" wishes to use power, which has the significance of modernization, to compel people to clear away the old structure. Such a wish is good but quite unrealistic. This is because power carriers, generally speaking, may be persons or organizations. Individual persons must exercise their powers through organizations. Therefore, before the old structure is cleared away, the appearance of a strongman and power in our country can only eventually strengthen the old structure, which is independent of man's will. Second, if it can be said that there was a "autocracy-freedom honeymoon" in modern European history, then we must say that that "honeymoon" presupposed a free, independent bourgeoisie with economic strength and an independent character. During that period, autocracy and imperial power provided given conditions for the development of "freedom." However, the existence of autocracy and imperial power presupposed the support of the free bourgeoisie. Only because of this, "freedom" eventually prevailed over autocracy and replaced it. It is something bordering on the absurd to wish that skipping historical stages and disregarding reality, the freedom of individual citizens would be guaranteed through a political strongman under China's specific conditions.

Question: "The new doctrine of authority" seems to have been put forward on the basis of reality, that is, one the basis of the successful pattern of "four little dragons" in East Asia, or the pattern of separating "democracy from freedom." This pattern is characterized by full

freedom in the economic field, strict control in the political field, and the maintenance of social stability with power. What are your views on this?

Answer: First, I think the model of the so-called separating "democracy from freedom" applied by Southeast Asia's "four little dragons" to their modernization process is only a relative term because political and economic affairs are closely related to each other. The process of economic modernization engenders democratic factors and creates a strong demand for political democratization, and democratization in turn promotes political stability and creates a good external environment for economic development. Second, the application of the model of separating "democracy from freedom" in these countries has been possible only because they have the precondition of dualism in economy and politics. However, dualism in economic and political affairs has only begun in China today, and to a great extent, China's economy is still attached to politics. Therefore, the model of separating "democracy from freedom" is still impractical in China, at least for the present. Third, the "new authoritarianism" has only studied the examples of success of the model of separating "democracy from freedom," not examples of failure. The truth is that the model of separating "democracy from freedom" may be conducive to political stability for a short period of time, but in the long run, this model is not necessarily conducive to political stability because its success often depends on a nation's specific conditions. Therefore, the social stability maintained by a strongman is only a kind of mechanical stability based on a high degree of political power. Once the power diminishes, the stability will no longer exist. China is a big nation and cannot be mentioned in the same breath with the small countries. To China, social disturbances are frighteningly intolerable.

Question: Then, what is your view on China's political development?

Answer: Here I would like to borrow a foreign political science term "democratic elitism" and give it a special definition to express my view. On the one hand, "democratic elitism" stresses the role of the political elite and the elite authoritarians in modernization, while on the other hand it also stresses a gradual democratization of the base of the political elite and elite authoritarians as well as the importance of a balancing mechanism of power. This is a peaceful and step by step way toward democratization.

Question: On what is the "democratic elitism" you have just proposed based?

Answer: First, the general structure of a modern society is an integration of "elite with the masses." We only have to view it from the technical angle, it becomes readily evident to us that high administrative efficiency and complexity make it possible for a great deal of strategic decisions to come from the society's small ruling elite.

This is even more so with the implementation of strategic decisions. Therefore, we must highly respect the role of the political elite. Second, political elitism is not contradictory to democratic politics. The crucial question is whether the elite is a product of reproduction of the elite themselves or a product of the people. In general, in an autocracy, the political elite is a product of reproduction of the elite, while in a democratic society, the elite is produced by the people. A special character of a modern democratic society is that it has an open mechanism for the flow of the elite. Therefore, while stressing the role of the elite, we must also stress the democratization of its base. In China's real politics today, this mainly means discarding the traditional practice of appointing people by favoritism or by personal choices and changing or improving the ways in which government officials at all levels are chosen, particularly deputies to the people's congresses at all levels to make them truly political entities.

Question: Your concept is very good, but where should China begin to promote political democratization?

Answer: I think we should begin by accelerating the development of education. This experience is attributable to the success of Japan, South Korea, and Taiwan. In the final analysis, modernization means the modernization of people, and, after all, economic and political modernization are all for the purpose of people modernization. In a modern country, it is very important to stress modernization of people. Because in a modern country, modernization is not a natural requirement of its own economic development but rather a product of

its policy. This is evident in the widespread structure of dualism in the Chinese society where traditional and modern industries, manual and mechanized farming, backward villages and modern cities, and other such dualism coexist side by side. In a modern society, accelerating the development of education is the only way to improve the people's quality and promote modernization. Not only must we raise the people's scientific and cultural levels by means of education, but we must also establish a value system and moral standards that are conducive to modernization by way of education. Yukichi Fukuzawa, a Japanese modern enlightenment thinker, said it well: "In assimilating the European civilization, it is necessary to first choose its difficult part and then the easy part to first change the people's minds, then reform the government decrees, and finally realize the tangible material benefits. Although there are difficulties following this order, there is no real obstacle, and the goals can be reached. However, if this order is reversed, it may appear that the goal can be easily reached when in fact is unattainable. It will be like facing a wall that makes advancing impossible. Consequently, we either hesitate before this wall or retreat, even though we would like to advance."

This year marks the 70th anniversary of May 4 Movement, yet the task of enlightenment in democracy in China has not completed. China's still needs a new enlightenment in democracy. Enlightenment in democracy is in fact a kind of education. An understanding of democracy shared by everyone comes from an enlightenment education. Only when there is such a common understanding of democracy can there be hope for democracy in China.

NATIONAL AFFAIRS, POLICY

Perfecting Contract Management System To Curb Inflation

40060496 Beijing JINGJIXUE ZHOUBAO in Chinese
2 Apr 89 p 7

[Article by Yang Peixin 2799 1014 2450: "Perfecting the Contract Management System Is the Best Tool in Curb-ing Inflation"]

[Text] How can we improve the economic environment, rectify the economic order, make economic adjustments, and curb inflation? There are presently two approaches to follow on this question.

One approach is to take back the authority and benefits that have been given to enterprises and recentralize; the other is to continue to give authority and power to the enterprises and really allow the law of value to resolve economic problems. As the Guangdong business community puts it, "Problems with reform can be resolved only through reform, enterprises should move boldly ahead and use deepened reform measures and methods to resolve problems." Beijing's business community also says, "In the midst of making corrections, one should not take a knife to the enterprises."

The first approach would continue to reduce the amount of retained profits by using taxes and stamp taxes, thereby increasing the tax debt owed by the enterprises. After the implementation of the contract system and "two guarantees and one link," the total of workers' wages and realized profit tax were linked together to form a self-restraint mechanism over enterprise workers' consumption capital. However, now we again have to request enterprises wages to be frozen at the August 1988 level, and not to exceed that level; we have taken back the authority that had been given to enterprises to take on projects under 3 million yuan, and we have regulated it so that we determine the scope of programs that upgrade technology in the enterprises. These measures have caused hardships for some enterprises, and particularly for large- and medium-sized state-run enterprises. For example, Capital Steel requires 700 to 800 million yuan each year to upgrade technology and to guarantee a 20 percent increase in profits. However, they now have again been limited to 100 to 140 million yuan; in addition, electricity was reduced 40 percent, and the bank tightened up its money, so the enterprise slipped into difficulties.

The second approach repudiates the first approach, saying that the first approach not only cannot increase effective supply, but will increase enterprise hardship and cause additional economic deterioration.

The writer believes that since the founding of the PRC, there have been three major adjustments. The first was in 1950, and then from 1961-1964. Those two were adjustments based on centralization and unification, and

they curbed inflation; however the adjustment in 1981-1982 was based on dividing up authority and profits, and was led by the reform movement.

Because of this, output quotas were set for farm households, enterprises were allowed self-determination; the central and local finance bureaus started to eat from separate kitchens, provincial finance bureaus were allowed to take on responsibility for tasks or to delegate them, which stimulated their level of enthusiasm. From 1979-1982 farm output increased 7.5 percent each year, light industrial output increased 11.8 percent each year, industrial output increased 7.2 percent each year, so that by the second half of 1982 there was a buyers' market for consumer goods, which curbed inflation.

China's economic reforms have been in effect for 10 years, and under these conditions, it would clearly not be suitable to use the approach of the 1960's, taking back authority and profits from enterprises and recentralizing. Rather, we must perfect the urban enterprise contracting system, strengthen the output quota system for farm households and continue to adjust the direction of local activism in order to realize adjustment and control inflation.

At present we should grasp the following crucial links:

1) Perfect and develop the contract system. First, release 100 to 200 large and medium-scale enterprises. Despite the price increases for raw materials and electricity which reduced profits, since 1987, when China broadly promoted the contract system, enterprises have still achieved very great economic efficiency. In 1988 enterprises under ownership by the whole people forecasted an increase in industrial output of 10.7 percent, local industry grew 11.6 percent, and state industry grew 6.8 percent. Realized earnings grew 11.4 percent, local industry increased 20.8 percent, state industry fell off 10.3 percent (this is because some of the state enterprises implemented payment systems rather than enterprise contracts), tax revenues increased 20.3 percent, local industry increased 22.8 percent, state enterprises increased 17.4 percent, interest totals increased 17.4 percent. Even though the increase in finance bureau revenue was almost 10 percent, which was less than the increase in the price index (the price index was 18.5 percent), it appears that it was the finance bureau that took the loss; however, it was actually due to the raw materials price increase, which certainly could not have exceeded industrial enterprises, nor could it have been summed up in the contract. Some people say that the fact that in 1988 34.9 percent of urban citizens' income fell is the result of contracting. But we should realize that this was caused by the increased profiteering that went on during inflation, which led to inequitable distribution and actually, had there not been contracting, in 1988 commodity prices, raw materials, electricity and industrial products prices would all have had to be controlled, and state revenues would not have been guaranteed.

Today many large- and medium-scale enterprises have been activated, and all that is needed is for the government to make policies that can accelerate the increase of efficient supply. How do we arouse the enthusiasm of large and medium-sized enterprises? The answer is to give investment autonomy and foreign trade autonomy to enterprises on the basis of the contract system.

2) Reform the investment system, give key construction projects to the local areas, allow the local areas to accumulate capital, bring foreign funding in on construction, and thereby eliminate central government deficits and wipe out inflation.

Since 1983 each department of the State Council has taken on all responsibility for key construction projects, which has increased the budget deficits and has forced the construction bank to rely on issuing notes to make loans for infrastructure projects. At the same time, because information is not timely, local enthusiasm has not been aroused and investment efficiency drops. The author suggests adjusting the time frame; we absolutely should give key construction projects to the local areas, and central government departments should have responsibility only for coordinating planning and balancing activities.

3) Start by restoring the banks' savings capabilities, eliminating the phenomenon of external cash circulation, and halt the process of continuously issuing notes. Even today savings have not recovered from the period in 1988 when three times there were runs on savings and panic buying and savings dropped. The intake of savings in 1988 was reduced by 50 billion yuan, forcing us to write IOU's for agricultural products, and floating capital for commercial enterprises could not recover. Regarding these issues, the writer believes:

a) We should expand guaranteed savings, raise the interest rate to exceed the price inflation range, and accelerate the restoration of the banks' savings capabilities.

b) The government's price rise measures should be abandoned; raising prices is advantageous to some departments only, but it is harmful to the overall profits of the system.

We can continue to make adjustments for products that are not directly related to the citizens' livelihood, such as grain wholesale price, oil and coal.

c) Reduce basic investment and primarily restrict central government and local government investment. We should hold a green light up for technology improvements in enterprises, local railroad projects and other projects that do not require an outlay of state funds.

Whether adjustments are successful or not will depend on whether we follow the right path. Presently we must be careful and not follow the Soviet pattern of adjustment through increasing centralization. Rather, we

should adjust by using measures appropriate to the 1980's to stimulate the enthusiasm of the peasants, enterprises, workers, and local areas.

PROVINCIAL

Beijing Takes Steps To Encourage Foreign Investment

OW2404174689 *Beijing XINHUA in English*
1345 GMT 24 Apr 89

[Text] Beijing, April 24 (XINHUA)—The Beijing municipal government will take steps to encourage more foreign investment in the capital and approximately 100 contracts concerning such investment will be signed this year.

Wu Yi, vice-mayor of the Beijing municipal government, told a press conference today that the government, however, will give directions as to what form the investment should take.

The priority for foreign investment will be directed to high-tech, highly efficient, and export-oriented enterprises, she said.

She repeated the government's promise that it will ensure that contracts already approved or signed are honored and that new contracts will be approved.

The government will also render all possible help to foreign-funded enterprises, including those involved in raw materials, power supply and money-lending, she said.

According to recent statistics, Beijing approved 148 foreign-funded enterprises in 1988, with a contracted investment of 425 million U.S. dollars, including 142 million U.S. dollars in foreign funds.

Registered foreign-funded enterprises exceeded 360 by the end of 1988, with a total investment of 3.66 billion U.S. dollars.

Guangdong Cracks Down on Smuggling Activities 40060605

[Editorial Report] An article in Guangzhou YANGCHENG WANBAO in Chinese on 15 Apr 89 p 1 reported that Guangdong Provincial CPC Committee Secretary Lin Ruo, at a provincial work conference, called for an all-out crackdown on smuggling operations in Guangdong Province. According to the article, Lin felt it imperative that concrete punitive measures be adopted to eradicate smuggling so that Guangdong can rectify the economic order, improve the economic environment, and deepen reform.

During the meeting, Lin noted 10 major harmful effects of smuggling including: corrupting the social environment, destroying the establishment of a new order in the

commodity economy, disrupting the implementation of the policy of opening up to the outside world, and promoting other criminal activities. Lin said that perpetrators of smuggling crimes must be prosecuted according to the law and that ignoring Guangdong's smuggling activities will only exacerbate the problem. He further added that Guangdong Provincial CPC Committee members indicted for smuggling crimes, without exception, will immediately be expelled from the party. Enterprises caught engaging in smuggling activities will have their properties confiscated. Subsequently, an investigation will be conducted to determine the individuals directly involved. Lin called on Guangdong residents to acquire wealth through honest work and the development of the commodity economy.

Retrenchment Slows Jiangsu's Economic Growth 40060598

[Editorial Report] The 24 Apr 89 issue of SHIJIE JINGJI DAOBAO in Chinese reported on p 9 that Jiangsu Province, with its industrial output value accounting for one-eighth of the national total, is feeling the impact of retrenchment policies. The author, Yuan Zhang [5913 3864] of the Research Institute of the Jiangsu Planning and Economic Commissions, sees the province experiencing an economic slowdown and showing initial signs of stagflation.

During the first quarter of 1989, Jiangsu's industrial output value was 35.2 billion yuan, a 10.8 percent increase over the same period last year. Over the past few years, Jiangsu's industrial growth rate has consistently been among the nation's highest. This, therefore, is the first time that its industrial growth rate closely approximated the national average of 10.4 percent, which indicates that retrenchment policies have achieved an initial effect.

Since retrenchment began in the fourth quarter of 1988, the supply of coal to Jiangsu has dropped drastically and power production during the first quarter of 1989 was down 3.5 percent compared to the same period in 1988. As a result, the production of many major industrial products suffered a large decline. This in turn will cause production declines to spread throughout the industrial and agricultural sectors.

While consumers' purchasing power continues to grow, the production of large numbers of daily necessities that are in short supply and in great demand has declined in varying degrees. On the other hand, the production of expensive consumer goods has gone up despite abundant supplies on the market. Producers get higher profit margins for these goods. Furthermore, as large contributors to state tax revenue, they generally get favorable treatment from local governments in being supplied with electricity and in obtaining credit. This situation has not been conducive in stabilizing Jiangsu's markets.

Slower economic growth has resulted in a marked drop in enterprise profits and state revenue. During the first quarter of 1989, industrial production in collective and township enterprises increased 16.8 and 24.1 percent respectively over the same period last year. These enterprises are less dependent upon government funding and have been able to generate capital by switching consumption funds to working capital. Production in enterprises owned by the whole people, however, increased only .8 percent because they are heavily dependent upon the state and must operate under state retrenchment restrictions. Taking into account statistical errors, these enterprises actually registered negative growth. Because they are major contributors to state revenue, their earnings decline has reduced the amount of revenue going to the state.

In January and February 1989, profits from local state-run enterprises in the province dropped 24.1 percent, while for the first quarter the entire province's revenue declined 1.5 percent compared to the same periods in 1988. With an inflation rate of over 20 percent, a negative growth in fiscal revenue could be seen as a flashing red warning light. Therefore, in view of the situation in Jiangsu, Yuan argues that retrenchment has been effective in reducing an overly high industrial production growth rate and not much else. Because the province's industrial output accounts for one-eighth of the national total and contribution to state revenue is one of the highest among the coastal provinces, he maintains that greater efforts must be made to overcome the negative effects of retrenchment and resolve various organizational problems.

INDUSTRY

Official on Readjusting Industrial Structure *SK2004060389 Jinan Shandong Provincial Service* *in Mandarin 2200 GMT 18 Apr 89*

[Text] The provincial forum on industrial and communications production, which ended on 18 April, stressed that the readjustment and optimization of industrial and economic structures are the key of the campaign to improve the economic environment and rectify the economic order, and this year all industrial enterprises should focus their efforts on readjusting and optimizing industrial and economic structures with a view to bringing along the work in other fields.

Li Chunting, vice governor of the province, made a speech at the forum. He pointed out: Our province has already drawn up the opinions on carrying out the readjustment of industrial structure and the readjustment of product structure and catalogue for 1989 and 1990; and has set forth the programs on emphatically supporting the production of 100 varieties of products, developing 52 varieties of products, and banning the production of 17 varieties of obsolete products. In view of the current situation, however, the entire industrial development still faces many difficulties. Although our

province mapped out six specific measures for surmounting difficulties early this year, some localities remained undecided and have not yet implemented these measures.

Li Chunting pointed out: The contradictions in industrial structure are extremely conspicuous, and therefore, all localities must keep a clear head. If we refuse to grasp the readjustment well, there will no way out for our economy; and if we bungle this opportunity, we will sustain a loss hard to remedy. He added: Readjustment is not empty talk. We must do solid work with sincerity, and must not hesitate to sacrifice our own interests if necessary.

Li Chunting stressed: At present, all cities and prefectures, as well as all departments, should map out specific plans and measures as quickly as possible in accordance with the state policy on industries and with the provincial opinions on readjusting industrial and product structures. Supportive plans should also be mapped out for the work concerning money supply, energy resources, raw materials supply, transport service, foreign exchange, tax collection, and price control in order to promote the overall development. Special policies should truly be implemented for the key industries and products that should be strengthened. All cities and prefectures, all departments, and all enterprises should foster the idea of taking into account the overall interest and should not hesitate to sacrifice their partial interests in order to achieve new progress in the economy. All cities and prefectures should also guarantee this work in organization and measures, by releasing an intelligent and capable force and organizing special bodies to successfully grasp the structural readjustment.

SMALL-SCALE ENTERPRISES

Township Enterprises Directed Not To Infringe On Traditional Agriculture
40060536a Beijing ZHONGGUO XIANGZHENQIYE
BAO in Chinese 7 Apr 89 p 1

[Article: "Township Enterprises Will Consolidate and Grow During Improvement of the Economic Environment and Rectification of the Economic Order"]

[Text] In recent years, township enterprises have become a new force rising out of the growth of the rural economy, and their accomplishments have drawn world attention. By 1988 the gross value of output for township enterprises had reached 646.17 billion yuan, or 53.5 percent of the 1.2078 trillion yuan that was the gross value of output for all rural society. The gross value of output for township enterprises has now surpassed the gross value of agriculture, consequently bringing new changes to the rural economy, which is to say that traditional agricultural economic structures have broken down and the rural economy has taken a great step toward a commodity economy. The rapid growth of township enterprises and the principal township industries have brought

major changes not only to the rural economy, but also to China's industrial economy and even to the composition of the entire national economy. Township enterprises have become important mainstays in China's rural economy and important components in our national economy. What has especially attracted people's attention has been the fact that due to the growth of township enterprises, over the past few years a large quantity of surplus agricultural labor has shifted toward nonagricultural industries, and there have begun to be changes in the situation whereby China's 800 million farmers deal with food. This is a good trend. By 1988, the number of persons involved in township enterprises had reached more than 80 million, which was more than 20 percent of the rural labor force. During the period of our nation's Sixth 5-Year Plan, the number of persons employed in township enterprises grew at an average annual rate of 7.96 million for a gross increase of 39.8 million over 5 years. This was 50 percent of the total number of 79.78 million persons who found employment throughout society, and 71 percent of the 57 million persons added to the agricultural labor force over the same period. It is estimated that it took only one-sixth the funds to employ a person in the township enterprises as it took to employ one in urban industry. During the process of "deagrification" of the countryside, this has allowed us to avoid the cost of rural bankruptcy that has plagued developed nations. The situation in which a large number of peasants has turned up in state industrial or urban industrial sectors has also shattered China's traditional situation in which there was a separation of the city from the countryside and the villages had only an agricultural economy, moving instead toward the alternative of an urban-rural simultaneous building and indusro-agriculturalization coordinated development. Experience has shown that in shifting surplus agricultural labor toward the development of township enterprises, this shift has not only not led to large-scale shifts in rural populations, but neither has it been accompanied by a decline and dissolution of the countryside. On the contrary, in the areas of more developed township enterprises, the economic build-up has quickened its pace and traditional agricultural areas have reaped motivation for renewal and prosperity from the growth of township enterprises, and it is in just these economic results that China's shift of surplus agricultural labor toward nonagricultural industry differs from the experience of other countries.

However, because in recent years the national economy has been "overheated," debate has again arisen regarding the township enterprises since energy resources, transportation, and raw materials are in short supply. For the answer to how we should correctly view the various contentions now present, we can be enlightened by studying the government work report given by Premier Li Peng at the 2d Session of the 7th National People's Congress.

In his report, Premier Li Peng said, "Development of the township enterprises has a great role and significance for the support of agricultural production, for increasing

agricultural income, for opening outlets for surplus agricultural labor, and for promoting development of the national economy." This proves that the fundamental policies of the party and the state in developing township enterprises should not be changed because of the current improvement of the economic environment and the rectification of the economic order. From our study of this government work report we can also learn that the improvement and rectification are points of focus for China's reconstruction and restructuring over the next 2 years. We can see, too, that the township enterprises are a component of the national economy, and how they are to further consolidate and grow during the improvement and rectification is both a requirement for growth of the entire national economy and is also a requirement for the assurance of healthy growth for township enterprises. Under the premise of affirming the role of developing the township enterprises, the report of Premier Li Peng emphatically set forth the connection between the township enterprises and the improvement and rectification, clearly bringing out the demand that township enterprises be adjusted, consolidated, improved, and developed under the improvement and rectification. For these reasons, by a full-scale diligent study of the matter and spirit of Premier Li Peng's government work report in regard to developing township enterprises, we can further understand that the direction of growth for township enterprises in the improvement and rectification of the national economy over the next 2 years is vitally necessary.

First of all, township enterprises must comply with the requirements of the national improvement of the economic environment and rectification of the economic order, they must proceed in view of the overall national economic situation, and they must appropriately slow their excessive rate so that they will grow in concert with the entire national economy. The recent inflation in China has largely been the result of an overheated economy and too vigorous demand. The gradual extinguishing of this overheated economy is the intention of the current improvement and rectification. What we mean by "overheating" is primarily industrial overheating, and especially the overwrought processing industries. Some areas have blindly developed projects for short-supplied raw materials and excessive domestic processing capacities that to a degree have affected the balance of supply and demand for those raw materials and energy sources. For these reasons, during the improvement of the economic environment and the rectification of the economic order, the township enterprises will have to be subject to the overall situation, which will allow their own rate and scale of growth to grow in coordination with the growth of the entire national economy, which will ensure the healthy growth of that national economy.

The contemporary growth of township enterprises will have to give outstanding importance to adjusting industrial structures. In his report, Premier Li Peng emphasized again and again the importance of adjusting the

national economic structures during the occasion of this improvement and rectification. He proposed that "only by stressing the adjustment of structures in the national economy during the improvement and rectification will we be able to prevent stagflation of the economy. On the basis of optimized structures we can improve the quality and results of the national economy, which will guarantee and lead to the long-term stable growth of China's economy." In the spirit of this directive, all areas are to give prominence to the adjustment of industrial structures. Primary attention at present is to be placed on the rational adjustment of the industrial and commodity structures of the township enterprises, and on improving product quality and economic results. It must be seen that the rise of the township enterprises is playing a positive role in changing the single industry structure of the countryside. But there are too many general processing industries among the township enterprises, and there are too many enterprises that are consuming too much energy and raw materials and that are lacking in the level of management and capacity for competition. Operators of some enterprises care only for near-term profits and disregard a broader view of national demand. Their production is consequently directionless and there is much duplication. For these reasons, the township enterprises must adjust their industrial and commodity structures in accordance with national overall and market demands. They should place primary emphasis on developing the processing of agricultural by-products, on the production of certain raw materials, and on production that is in harmony with urban industries. Those enterprises complying with the aforementioned requirements will be provided with protection and support, including export for the generation of foreign exchange. This will spur the cessation or conversion of enterprises having poor quality products and that are consuming large quantities of raw materials in short supply.

During the occasion of this improvement and rectification, township enterprises are certain to encounter difficulties and challenges with energy sources, raw materials, and funding, and all enterprises should dare to meet this challenge, should work at taking advantage of this opportunity, and should self-consciously submit to overall national control. This will center on the improvement of economic results, will rectify and advance the spirit of operations, will improve product quality, will lower the consumption of material goods, and will improve labor productivity. In a situation in which they strive to reduce the key elements put into production, these enterprises will both appropriately lower the rate of industrial production, and also will maintain appropriate growth in effective provisions to further advance the consolidation and growth of township enterprises through improvement and rectification.

In the process of improvement and rectification the township enterprises must correctly handle the relations between township industry and agricultural production. We must take into account the fact that with the high rate of growth of township enterprises in recent years,

the problem of low agricultural profits has become all the more pronounced because of our inability to appropriately resolve in a timely manner the price scissors between industrial and agricultural commodities. Therefore, correct resolution of the problem with the distribution of profits from township enterprises and agricultural production is a problem that will not be easy to ignore during the current development of the rural economy. The fundamental premise for the correct handling of the relations between township industries and agricultural production is the growth of township industry must be completely in line with the principle that agriculture is the basis, that agriculture is the parent of the township enterprises, and that as the rural industries are growing, so must the quantities of agricultural products provided by agriculture, and so must the labor that must be provided. Without the support of a developed agriculture, it will be hard for rural industries to sustain their growth. When township enterprises have become divorced from the countryside, have become divorced from agriculture, then they will be trees without roots. After township enterprises began to develop, they contributed large amounts of support to agriculture in the forms of funds, technology, goods and materials, farm machinery, and power, the gross amounts of which have exceeded that funded for agriculture by the state during the same period. Therefore, township enterprises and agriculture rely upon each other and spur each other on. The overall situation for economic efforts throughout the country this year is to work hard for the harvest of grain and cotton oil-bearing crops. In keeping with this situation, funds, technology, and goods and materials will be used to further strengthen the support of agricultural production by the township enterprises. From the point of view of mid- and long-term rural development, as the national economy grows under conditions that are financially permissive, there must be a progressive improvement in the selling price for agricultural products to reduce the discrepancies in prices between industrial and agricultural products. This will enable agricultural operations to receive similar profits, which mechanism is the internal motivation for promoting stable growth in agriculture. However, where prices are still unreasonable, as township enterprises develop, it will be necessary to implement policies that "supplement the agricultural with the industrial" in order to coordinate the full scale development of agriculture. This is a microeconomic adjustment in the relations between industry internal to rural economic organizations and agriculture, and if there is no "supplementing the agricultural with the industrial," we could see a problem with backward agriculture in areas having developed township enterprises. Therefore, funds should be held back from industry for agriculture according to regulations, and these should be guaranteed for use in agriculture, especially for grain production, which will enable industrial development to be organically linked with agriculture.

FOREIGN TRADE, INVESTMENT

No More Foreign Management for Tourist Hotels *OW1804022689 Beijing XINHUA in English* 1204 GMT 17 Apr 89

[Text] Beijing, April 17 (XINHUA)—China will no longer invite foreign hotel management groups to run Chinese hotels catering to overseas tourists, an official from the Hotel Management Department of the National Tourism Administration told XINHUA today.

And when "conditions are ripe," foreign management personnel now working at hotels built as Sino-foreign joint ventures "will be replaced by qualified Chinese successors," the official said.

The official did not elaborate on the future of foreign management staff.

In addition, no new hotels, lodging houses, or expansion of existing hotels will be allowed in scenic spots or big cities such as Beijing, Guangzhou, and Shanghai.

Projects already being built or designated to be built according to contracts already signed will be exempted from the building ban, the official said.

Technology Imports From Europe Increasing *40060479a Beijing GUOJI SHANGBAO in Chinese* 4 Apr 89 p 3

[Article by Li Zhaofen 2621 5128 5358: "The European Economic Community Surpasses Japan and the U.S. in Technical Equipment Exports to China"]

[Text] At present the volume of business in technical equipment between the EEC and China has far surpassed the volume that China conducts with Japan and the United States, and ranks as China's number one partner in technology cooperation.

Since the signing of a trade and economic cooperation agreement between China and the EEC in 1985, both sides have achieved rather good development in economic and trade cooperation. According to statistics from China's customs, the bilateral trade volume between China and the EEC for 1988 totalled \$12.86 billion which equates to an increase of 12.8 percent and is the highest level in history. China's exports to the EEC totalled \$4.7 billion, an increase of 21.4 percent. Imports from the EEC totalled \$8.15 billion, a growth of 12.1 percent.

China's trade volume with the EEC only accounts for 12.5 percent of China's overall foreign trade, ranking behind Hong Kong and Japan, but in the contracted business volume of importing technology and complete sets of equipment, it ranks first and accounts for over 60

percent of these imports. The main products that China imports from the EEC are complete sets of technical equipment, steel products, and other raw materials for industry.

It is worth noting that in the trade between both sides, China has a comparatively unfavorable balance of trade, China's adverse trade balance for 1988 was \$3.45 billion. Although investments from firms of the EEC are continually increasing, there has only been a total accumulated investment of \$2 billion which is far behind that of the United States and also behind that of Japan.

Foreign Trade Contracted Responsibility System
40060607 Beijing GUOJI MAOYI WENTI
[INTERNATIONAL TRADE JOURNAL] in Chinese
No 4, 30 Apr 89 p 17-19

[Article by Fu Ziying 0265 5261 2019: "The Review and Forecast on Foreign Trade Contracted Management Responsibility System"]

[Text] The year 1988 was an important year in speeding up and deepening the reform of the foreign trade system in China. The new foreign trade system based on the foreign trade contracted management responsibility system has been implemented throughout the country. What kind of changes has the new system caused in the development of China's foreign trade in the past year? What new problems and difficulties does it face? How should we perfect and develop it? All these questions need to be reviewed, summed up, and conscientiously studied.

I. Profound Changes and Effects Caused by the Contracted Management Responsibility System of Foreign Trade

The major contents of the new foreign trade system based on the contracted management responsibility system implemented in 1988 are as follows: First, different provincial, autonomous regional, municipal, and independent planning city governments, state foreign trade companies, and industrial trade import and export companies respectively sign contracts with the state on three indexes—export foreign exchange income, foreign exchange payment to the central government, and economic returns—which are fixed for 3 years. Then, they breakdown the three indexes and subcontract them out to export management and production enterprises at different levels. In the process of signing contracts with different levels, the state has relaxed policies on the foreign exchange system and profit distribution, thus substantially arousing the enthusiasm of local governments and enterprises for export. As a result, China's foreign trade has increased by a large margin. According to the statistics of the Ministry of Foreign Economic Relations and Trade, the total volume of China's foreign trade was \$79.4 billion in 1988, an increase of 16.7 percent over 1987. Of which, \$39.3 billion was export, an increase of 17.7 percent, and \$40.1 billion was

import, an increase of 15.5 percent. This shows that the contracted management responsibility system of foreign trade has caused profound changes in the development of foreign trade in China. It also shows that the reform of foreign trade system has yielded initial results, which are manifested mainly in the following ways:

A. The enthusiasm of local governments for expanding exports has been further aroused, and favorable conditions for the implementation of the coastal economic development strategy has been created. Most importantly, the contracted management responsibility system of foreign trade has clarified the relations of foreign exchange distribution between the central and local governments. After delivering to the central government the amount of foreign exchange within the contract base according to the regulations, local governments can retain 80 percent of the remaining or above-base foreign exchange. So when local governments contract and deliver foreign exchange to the central government, they can also substantially increase the visibility of local foreign exchange retention. Moreover, the central government has also relaxed policies on local authority to examine and approve foreign trade enterprises, policies on foreign exchange control, and policies on the authority to examine and approve processing of imported materials. This has also stimulated the enthusiasm of localities, especially coastal areas, for expanding foreign trade and exports and earning more foreign exchange income and facilitated the implementation of the coastal economic development strategy.

B. The financial self-restraint mechanism of foreign trade enterprises has been strengthened, and enterprise economic returns have been somewhat increased. The contracted management responsibility system of foreign trade has broken down the indexes of economic returns for all levels and changed the "big pot" financial system and the egalitarianian distribution system formed over many years in foreign trade enterprises. By doing so, it has strengthened the financial budget restraining mechanism of foreign trade enterprises and stimulated the internal motive power of enterprises to increase economic returns and pursue profits while expanding exports and increasing foreign exchange income. Although the domestic economy encountered fairly serious inflation in 1988, China's foreign trade still yielded fairly good economic returns. It is estimated that in 1988, the economic returns of China's export trade were 3.3 percent higher than contract indexes.

C. The export of finished products has further increased, and the mix of export commodities has gradually improved. Since China is a country with little per-capita natural resources where domestic demand for raw materials still outstrips supply, it is impossible to increase foreign exchange income by substantially increasing the export of raw materials. To expand exports, local governments and enterprises have adopted many preferential policies and flexible trade practices and made priority arrangements for the production and equipment and

technological transformation of finished products for exports, thus bringing about a substantial increase in the exports of finished products. According to the initial statistics of customs departments, the ratio of finished products in the total volume of exports in 1988 increased by 3 percentage points as compared to that in 1987.

D. The foreign exchange system has undergone a major reform and foreign exchange control has been relaxed. Since 1988, the state has stopped controlling the targets of foreign exchange spending and allowed local governments and enterprises to use their foreign exchange retention in any way they want within the scope prescribed by state import policies. At the same time, in order to facilitate the circulation of foreign exchange funds, accelerate the capital turnover of enterprises, and increase the use efficiency of foreign exchange funds, the state has gradually opened up some foreign exchange regulatory markets and allowed foreign exchange retained by local governments and enterprises to freely enter the foreign exchange markets under proper supervision of the central bank. This is to use the market mechanism to provide a certain amount of compensation for losses suffered by export enterprises as a result of the currently high exchange rate of renminbi. This has to a certain extent created conditions for foreign trade enterprises to carry out contracted management and assume sole responsibility for their own profits and losses.

E. The tax system has been reformed, and a complete export tax refund policy has been implemented. Returning taxes paid by different production links of export products is a common practice adopted by many countries to vigorously participate in the international division of labor and increase the competitiveness of their products on the international market. China's tax system is relatively complicated and irrational. Excessively heavy taxes levied on the production and circulation links of export products have made Chinese products lose their competitiveness on the international market. In order to make Chinese export products more competitive and enable them to compete with other countries' products on a fair ground on the international market, China adopted a new export tax refund policy in 1988. Under this policy, products under the category of value-added taxes will receive a full tax refund based on the value-added tax rates; products under the category of product taxes will receive an one-time tax refund based on the comprehensive tax refund rates. This has increased the ability of our export products to compete and the ability of enterprises to make a profit, thus creating conditions for enterprises to assume sole responsibility for their own profits and losses.

F. The export management power has been delegated to a still lower level, and a group of production enterprises have been pushed to the international market. Most local subsidiaries previously managed by general foreign trade and industrial trade import and export companies have been delegated to local governments to be managed

according to unified state policies and fulfill the contracted tasks of local governments. At the same time, the central government has also delegated to local governments the authority to examine and approve foreign trade enterprises and pushed a group of more competitive production enterprises, which have better production conditions and better quality of products, onto the international market.

G. The government has been able to gradually use economic and regulatory means to exercise indirect control of foreign trade. Due to the "big pot" financial system of foreign trade enterprises, for a long time it was very difficult for the government to regulate and control foreign trade activities with economic and regulatory means. Since the implementation of foreign trade contracted management responsibility system, because foreign trade enterprises have assumed sole responsibility for their own profits and losses and strengthened their financial budget restraining mechanism, the government has been able to increase the regulatory functions of such economic means as tariffs, prices, exchange rates, and interest rates in foreign trade. This has reduced administrative intervention in enterprises and enabled enterprises to gradually get on the track of assuming sole responsibility for their own profits and losses.

H. Further administrative simplification and power delegation by the central government was facilitated. To guarantee the normal operation of the new foreign trade system, the central government has delegated some powers to local governments and enterprises while implementing foreign trade contracted responsibility system. They mainly include delegating to lower levels the power to examine and approve foreign trade enterprises; giving lower levels more authority to examine and approve foreign investment in coastal areas; reducing their power to issue quotas and distribute permits; giving them more power to examine and approve the processing of imported materials; easing restrictions on the variety of products in "the three forms of import processing and compensation trade"; giving localities and enterprises more management power in barter trade with the Soviet Union and East European countries, provided that they balance their own foreign exchange income and expenditure and assume sole responsibility for their own profits and losses; and delegating to lower levels the power to examine and approve the establishment of enterprise subsidiaries in foreign countries and the overseas tours of foreign trade groups. Through the delegation of such powers to lower levels, the central government has reduced the daily routine of direct enterprise management, thus creating conditions for strengthening macroeconomic management and improving government service.

II. Difficulties and Problems Facing the Contracted Management Responsibility System of Foreign Trade

The contracted management responsibility system of foreign trade has yielded initial results, but under the current economic environment, it also faces some new difficulties and problems:

A. It faces the pressure of domestic inflation. In recent years domestic prices have increased by a large margin, causing the domestic production cost of export products to increase continuously and reducing the profit-making ability of export enterprises. This has a certain restricting effect on the growth rate of export trade.

B. It faces the pressure of insufficient credit fund. Since the state implements a tight credit policy, some export production enterprises and foreign trade enterprises face the difficulty of insufficient funds, which adversely affects the production and export operations of export products.

C. It faces an increasingly serious shortage of supply of export products. Since the growth rate of domestic economy will decline to an appropriate level, contradictions between the domestic or overseas sales of certain commodities will occur or sharpen. A few commodities which are popular on the international market will be in short supply at home.

D. A few areas have placed regional blockades and barriers on a few resource-oriented commodities. Since local governments are considered as the major entities of foreign trade contracts, some local governments, in order to fulfill their contract targets, have placed administrative blockades and barriers on a few locally produced resource-oriented commodities which are in short supply. This has affected the normal circulation of some commodities and caused certain effect on the overall rational distribution of state resources.

E. It has stimulated to a certain extent the short-term behavior of foreign trade enterprises. Since most foreign trade enterprises have implemented the contracted management system and assumed sole responsibility for their own profits and losses, the state has relaxed policies on enterprise distribution. Out of the motive of seeking profits, some enterprises have begun to show short-term behavior. For instance, management policy decisions are based on short-term interest, welfare, and consumption funds are distributed ahead of time, and the self-accumulation mechanism of some enterprises has been relatively weakened.

I think that some of the above difficulties and problems are caused by the influence of the national economy as a whole and others are defects of the contract system itself. As long as we continue to improve the contracted management responsibility system of foreign trade and deepen the reform of foreign trade system under the condition that we subordinate ourselves to the demands of the national economic reform as a whole, we should be able to overcome and solve these difficulties and problems.

III. Improvement and Development of Foreign Trade Contracted Management Responsibility System

How do we further improve and develop China's foreign trade contracted management and responsibility system? I think that we should consider and study it in two ways:

A. Strengthen the macroeconomic management of the central government and enhance economic and regulatory means. To strengthen the macroeconomic management of central government organizations, the key is to coordinate well the management of foreign trade policies in local governments and guarantee the unity of basic foreign trade policies throughout the country. The central government should strengthen the guidance of foreign trade development strategy for local governments, do a good job in coordinating the export structure, and make a success of rational distribution of social resources in regard to import and export macroeconomic management. The central government should also strengthen the planned management of a few export commodities which have vital bearing on the national economy and the people's livelihood or which have greater impact on the domestic market. To strengthen economic and regulatory means, the key is to further improve various supplementary policies and measures in line with the foreign trade management responsibility system. Special attention should be paid to studying and applying such economic means as prices, exchange rates, tariffs, and credit to help foreign trade enterprises to overcome and resolve difficulties caused by inflation and insufficient funds and create a better macroeconomic environment for further improving the foreign trade contracted management responsibility system.

B. Strengthen enterprise management and establish and perfect the management mechanism of foreign trade enterprises. Since foreign trade enterprises implemented the contracted management system and assumed sole responsibility for their own profits and losses, export responsibility and risks of profits and losses have all fallen on enterprises. Therefore, first we should delegate to enterprises all powers they are entitled to, which include primarily powers to make their own management decisions, to issue labor wages, and to distribute and dispose of their financial resources.

Second, we should guide enterprises in doing a good job in internal contracts to further strengthen their self-restraining mechanism. We should popularize internal enterprise contracts such as bidding contracts and all-employee risk contracts to combine the interests of enterprise leaders and employees with the results of enterprise contracts so as to increase the self-restraining ability of enterprises. At the same time, we should strengthen guidance for enterprises in handling well the relation between long- and short-term interests and encourage enterprises to use most part of their profit retention to expand exports and develop business.

In addition, we should do a conscientious job in the basic work of enterprise management and implement the manager's term objective responsibility system in an all-round way. At present, the basic management work of many foreign trade enterprises is still very weak and rules and regulations for internal management are imperfect. We should help enterprises widely adopt the method of management by objectives and quotas to

increase economic returns. At the same time, we should also conscientiously implement the stipulations of "Enterprise Law," form an enterprise decision-making and command system centered on the manager, and establish and popularize the enterprise manager's term objective responsibility system. Furthermore, we should strengthen the democratic management of enterprises, allow major decisions and policies concerning distribution to be discussed at employees' democratic discussions, increase the openness and democratic basis of enterprise policy decisions, encourage employees to show concerns for the economic returns of their enterprises, and cultivate their enthusiasm for the self restraint of management behavior so as to enhance the unity of enterprises and raise employees' level of tolerance for the risks of enterprises.

If problems in the above two areas can be properly handled and resolved during the implementation of the foreign trade contracted management responsibility system, the contracted management responsibility system of foreign trade in China is bound to display greater vitality, cause greater changes, and yield better results in the development of foreign trade. Of course, the foreign trade contracted management responsibility system currently carried out is an interim reform measure under the condition that the reforms of China's price, financial, tax, and monetary systems have not been completed and various economic relations have not been straightened out. I believe that if we further improve and develop this system, we would be able to gradually achieve the objectives of the reform of foreign trade system—"assuming sole responsibility for profits and losses, open management, integrating industry with trade, and implementing the agent system."

Beijing Expands Use of Foreign Investment
40060479b Beijing GUOJI SHANGBAO in Chinese
4 Apr 89 p 1

[Article by Liu Lei 0491 7191 and correspondent Qiao Yan 0829 3601: "Wu Yi Calls for 1989 Policy To Emphasize Foreign Invested Enterprises—Beijing Municipality Achieved Some Marked Success Last Year in Utilizing Foreign Investment"]

[Text] On 31 March the vice mayor of Beijing, Wu Yi, stressed the following at the opening of the work conference on the industrial system utilizing foreign investment convened by the Municipal Economic Commission. He said, "We must get a clear understanding of the foreign investment situation and quicken the pace of its use. Implementing the principle of continuing to use contracts, not stopping construction of projects already approved, and continuing to approve new projects, we should approve, prepare, and manage projects well, one by one."

In 1988, there were 27 new foreign invested enterprises [FIEs] approved in the Beijing industrial system, and agreements were made totalling \$290 million that would

bring in over \$81 million of foreign investment and account for 70 percent of the foreign investment brought into the entire municipality. Among these projects, seven involved total investments of over \$5 million and are all in mainstay industries such as automobiles, electronics, foodstuffs, textiles, and key developing industries. Because this foreign investment orientation was rational, the achievements have been remarkable.

During 1988, the Beijing Municipality industrial system operated 44 enterprises that realized a total output value of 1.5 billion yuan. Their sales revenue of 1.95 billion yuan accounted for 91 percent of the entire sales revenue from enterprises operated throughout the entire municipality. The amount of profit and taxes paid to the state, and volume of foreign exchange from exports accounted for 91 percent, 92 percent, and 86 percent respectively of the corresponding figures for the entire municipality.

FIEs encountered more problems in funding, goods and materials, energy sources, and other aspects during 1988 in comparison to state-run enterprises but still achieved results that garnered the attention of similar domestic industries. According to statistics, the industrial FIEs' annual per-capita output value reached 82,000 yuan, had annual per-capita sales revenue of 104,000 yuan and annual per-capita profit of 20,000 yuan. Based on the statistics of energy consumption output results of over 10 high energy consuming FIEs, each kwh of electricity produced an average output value of 22 yuan, a profit of 8 yuan and an efficiency much higher than the municipality's state-run enterprises. This clearly shows a great improvement has occurred in the investment situation of Beijing Municipality. FIEs' economic results have been very good. Wu Yi stated that the present situation of using foreign investment has both beneficial and non-beneficial factors. With more liquid assets, investors from various countries are actively seeking cooperative partnerships. China has already formulated a series of policies for using foreign investment and has acquired a considerable amount of experience. There are some unfavorable factors such as lack of funds, insufficient raw materials, a tight supply of energy resources, and rising prices. Wu Yi urged that we work hard this year to scale new heights in using foreign investment.

Wu Yi asked that we further improve guidance for using foreign investment, consolidate the special characteristics of Beijing Municipality, choose and follow through with principles according to the laws of development and devote efforts to developing the mainstay industries such as automobiles, electronics, and also stress the development of light industry as well as the foodstuffs, textiles, building materials, printing, and other industries. As for the problems that arise in FIEs, these must be reported to higher authorities in a timely manner so the problems can be examined and solved. Policies concerning FIEs should be slanted to line up with projects so opportunities to carry through with them will not be lost. To achieve this we should adopt a dual strategy method. On

one hand, we should stress quick transition from development to operation and large and medium-sized projects, and on the other hand, carry out conception, approval, construction, and post-operational management of projects.

Jilin Takes Steps To Promote Exports

40060506e Beijing GUOJI SHANGBAO in Chinese
4 Apr 89 p 1

[Article by reporter Hou Yu 0186 3768: "Firm Decision, Quick Action—Jilin Formulates Decisive Measures To Promote Exports"]

[Text] Jilin Province is diligently following the gist of the national telephone conference on foreign exports and has mobilized everybody from top to bottom. It has adopted decisive measures and is making an effort to overcome difficulties to ensure new development in this year's exports and earn more foreign exchange.

During the first quarter of this year, affected by fund, electricity, and transportation problems and high prices, Jilin's exports fell 15.7 percent compared to the same period last year. After the national telephone conference on foreign exports, the provincial government quickly took action. They transferred more than 140 cadres deep into the primary level to the foreign trade enterprises and suppliers of goods to explain and publicize the gist of the conference and teamed up 18 supervisors of the managing departments to work on location in the foreign trade departments. They solicited ideas from everybody about solutions to the fund, electricity, transportation, price, and product supply problems, and formulated a series of emergency measures to promote exports. The provincial government declared that all planned export products must guarantee delivery according to schedule. If there is no special reason why a particular product cannot be delivered on time for that quarter, the managing department is responsible for expediting delivery and for setting a deadline. The provincial government is also managing centrally the supply of electricity and raw and processed materials, and the needs of the province's 13 categories of mainstay export products and 22 key export manufacturing enterprises are guaranteed priority. Transportation plans have been revised and all above-plan transportation must yield to exports to ensure the availability of cars to transport corn and other staple export products. In view of soaring export procurement prices of beef, bean cake, cotton yarn, lumber, ginseng, pilose antler, and cashmere, which are Jilin's mainstay export products, the province has set a limit to the maximum prices and will impose economic sanction on those over-charge and those who bid up prices to monopolize purchases. All specialized banks must dig deep to tap fund potentials; they must cooperate closely and try their utmost to guarantee funds needed by foreign trade companies to purchase their stock of products.

ECONOMIC ZONES

Major Western Firms Invest in Shenzhen

HK1404070189 Beijing RENMIN RIBAO
in Chinese 11 Apr 89 p 1

[XINHUA report by correspondents Jiang Jun 1203 6511 and Xiang Hu 0686 5706: "Some Major Western Companies Invest in Shenzhen"]

[Text] Shenzhen, 10 April (XINHUA)—The Shenzhen city authorities have disclosed to our reporters that some major Western international companies have recently invested in industrial production in Shenzhen, and the Shenzhen city is prepared to take this opportunity to upgrade its industrial production, and orient the setup of industrial production in the special economic zone toward high technology.

Reportedly, the factories which these international companies will establish in Shenzhen are to be run on a large scale and with advanced technology, and most of their production projects will be launched on the basis of putting both ends of the production process, that is, the supply of raw materials and the marketing of products, on the world market. For example: The U.S. DEC Co. has initially invested 3 million U.S. dollars in the production of computer parts. The French (Thomson) Co. has made an initial investment of 60 million Hong Kong dollars in a large factory, which has already put a production line into operation. The U.S. Dupont Co. plans to invest some 37 million U.S. dollars in Shenzhen in the production of herbicides, dry film for circuit boards, and paper. It was learned that the U.S. IBM Co., and General Electric Co., and the British Lancashire Co. have also expressed their intentions to invest in industrial production in Shenzhen. Apart from these major Western companies, some East European countries have sent their personnel to Shenzhen to inquire into the possibility of setting up factories by sole proprietorship, joint venture, or cooperation.

An official of the Shenzhen city government office responsible for taking in foreign investment said: The enthusiasm of foreign businessmen for investing in Shenzhen shows that they think highly of its favorable investment environment. Shenzhen city is ready to take this opportunity to develop industries requiring high technology, upgrade industrial production in the special economic zone, and restrict the development of labor-intensive elementary industries. Recently, the official added, Shenzhen has halted some projects which employ backward technology, have insufficient funds, or mainly turn out products for the home market.

LABOR

Economists Discuss Labor 'Floating Population' Phenomenon

40060518a Shanghai WEN HUI BAO in Chinese
8 Apr 89 p 1

[By correspondent Tan Jianzhong 6223 1696 1813:
"Economists Investigate the 'Floating Population' Phenomenon"]

[Text] *The "floating population" reflects an awakening awareness of the commodity economy among the peasantry and a "stepladder-like" migration of the labor force. The ultimate and radical way to solve the "floating population" problem is to adjust the objectives of urbanization and establish new cities. Prior to capability of the cities to accommodate the "floating population," it is necessary to adopt measures to channel their movement.*

At a time when the big cities and communications departments are busy coping with the "floating population" which has descended on them as a huge wave, economists have investigated this perplexing problem of the "floating population" in greater depth.

Three economists, who allowed me to interview them, pointed out the inevitability of the emergence of the "floating population" phenomenon. Assistant professor Shen Hanyao [3038 2498 5069], head of the Shanghai Research Institute for Economic Development, gave his opinion that the "floating population" is action caused by the awakening awareness of commodity economy among the peasantry. That hundreds of thousands of peasants dare to leave their farms and villages is unthinkable in the seclusion-prone natural economy. Chen Xigen [7115 6932 2704], head of the Policy Research Office of the Rural Commission, the Municipal CPC Committee, pointed out that subsequent to the development of commodity economy, mobility of the key elements of the labor force is inevitable, and peasants leaving agriculture is a kind of historical progress. Ling Yan [0407 1484], assistant research fellow, the Shanghai Academy of Social Sciences, informed that there are presently 210,000 civilian workers from other provinces in the Shanghai suburbs, most of them working in agriculture; in Meilong Township alone there are more than 2,000 of them. Ling Yan said the movement of peasants from the suburbs into the city or into township enterprises, and the movement from other provinces into the suburbs as farmers, these movements of the labor force under the influence of market regulation are not really "floating" but are rather a "stepladder-like migration," and the present phenomenon of the "floating population" is also a reflection of the "stepladder-like migration."

The experts pointed out the fact that so many peasants leaving agriculture is an inevitable trend. It is only regrettable that for a long time we have not been fully

prepared, materially and mentally, until we found ourselves cornered and have allowed the contradiction to become so conspicuous. We are now passively compelled to engage in the work of channelling and dispersing. Chen Xigan said that in 1952 China had a rural labor force of 170 million with an average per capita of 9 mu of arable land. Now, the rural labor force has swelled to 390 million with an average per capita of 4 mu of arable land, in addition to 250 million HP of mechanical motive power, so that the rural areas have become areas of the most serious hidden unemployment, and the reform is encouraging the surplus rural labor force to move to nonagricultural occupations, i.e. to move into the cities. However, this is a big affair involving hundreds of millions of people in the labor force, which, it seems, has not yet entered into the field of vision of planning departments and labor and personnel departments. Ling Yan pointed to another area of neglect: There is hardly any department that is concerned with the food, lodging, security, and other problems of this large mass of peasants who are temporarily working away from their native places, and this causes many social problems. They appeal that these problems be placed as soon as possible on the daily agenda, as otherwise one shock wave after another of "floating population" will have to be faced.

The reemployment of these thousands upon thousands of peasants is a reality faced by China in its reform and economic development. What is the solution? The eyes of the experts are focusing on the progress of urbanization, and Chen Xigen quoted some data that is food for thought. During the period from 1950 to 1980, the average ratio of the urban population of the world grew from 28.4 to 40.9 percent, while in China it fell from 18 percent to somewhat below 18 percent. That means that urbanization had essentially come to a standstill in China. Shen Hanyao further stated that the direction of China's urbanization must be reassessed. The way to the small towns and townships and the labor force migration pattern of peasants "leaving the farm but not the countryside," which was considered "a Chinese characteristic," was small in scope and unable to stand up against the storm of the commodity economy. Now, with tighter prospects in the countryside, many peasants "leave the farm and leave the countryside as well," streaming into the cities. This affirms the point. Shen Hanyao believed that spatial expansion of the existing cities and building of new cities is the inevitable trend in the transformation of an agricultural into an industrial country, and that the goal of China's urbanization has now reached a point where reassessment is unavoidable; that is the ultimate and radical way to solve the "floating population" problem.

The experts fully endorsed the recent work of "channelling" the "floating population." They said that since the cities have not yet the capacity to accommodate them, this work of channelling their movement is absolutely necessary.

Article Urges Establishment of Comprehensive Labor Insurance System

40060518b Shanghai WEN HUI BAO in Chinese
10 Apr 89 p 1

[Article by special correspondent Zhu Hongyuan 2612 1347 3850 and correspondent Xia Zhenfei 1115 7201 7204: "Establishment of a Comprehensive Social Insurance System"]

[Text] *Redundant personnel in enterprises presently strongly resist being turned back into society, for the reason that they fear that there is nothing to safeguard their livelihood, and care for them in old age, sickness, or death. To further promote rational mobility in the labor force, it is necessary to establish a comprehensive social insurance system.*

In the course of carrying out the improvement of labor organization, it was discovered that there is strong resistance against moving redundant personnel, especially of returning them back to society. Judging by the practice in cities that have been earliest in the country to practice improvement of labor organization, the overwhelming majority of redundant personnel would rather passively wait until the enterprise can again "absorb" them, would even rather take a 30 percent cut in salary or wages even and await reemployment in the plant, rather than being turned back into society and having to find other employment on their own. The reason is that fixed employment is security against whatever may come, and more importantly, that someone will ensure their livelihood and take care of them in old age, sickness, and death. Once you cut their "umbilical cord" with the enterprise and turn them back into society, the shock that this will evoke can well be imagined.

How, then, are we to establish a mechanism that on the one hand will not cut off their safe "line of retreat" and on the other hand will promote a rational mobility of labor? We believe that establishing a socialized social insurance system at different levels and in a variety of forms is the key to the pursuit in greater depth of our reform of the labor system and its sound development.

In recent years, China's social insurance system has undergone a systematic reform. In enterprises owned by the whole people, the retirement expenditure for fixed staff and workers, and workers under a labor contract system, will be comprehensively taken care of by society, and some enterprises have set up staff and worker unemployment insurance. Several localities have also experimented with reforms that included sickness, medical, and life insurance for staff and workers. However, cases of this type of reform have not been many. The comprehensive planning has been only partial. The "society" in these cases has been a small society within a certain limited sphere. One member of the staff with special technical qualifications, a supernumerary at the Zhenjiang Hydraulic Tools Factory, wanted to transfer to a private enterprise, and the private enterprise was

also in urgent need of him. However, he finally considered the fact that the private enterprise would not provide old age and medical insurance, and since he did not want to cut his "umbilical cord," gave up the intended move.

It appears that the basic demand in the reform of the current labor insurance system is for an expansion of the coverage of social insurance, so that staff and workers in all enterprises will enjoy social insurance treatment. This would conform with the present coexistence of different economic patterns and different forms of business operations, and would meet the demand for mobility of the labor force between different ownership systems, between different localities, and between different enterprises. To achieve this, it is now critical to lay stress on the word "comprehensive," which in this connection is comprised of three different things:

First, "comprehensive" in respect to the territory covered. We shall have to gradually advance from the present comprehensive planning of social insurance, which has the county (municipality) as its unit, to a comprehensive system of the entire province, and finally to arrive at comprehensive insurance throughout the whole country. The intermediary difficulty is that the current financial system is one of each administrative unit having to fend for itself financially, and a comprehensive arrangement on a larger scope would of course affect the economic interests of the various counties (municipalities). The experts believe that the method that would presently be feasible is to appropriately adjust the contract base figures in the finances of the relevant counties (municipalities).

Second, "comprehensive" in respect to the variety of insurance patterns. Since China is now in the initial stage of socialism, various ownership systems and various employment forms coexist. It is therefore necessary that in addition to the social insurance system for staff and workers in enterprises owned by the whole people, which are already in operation, insurance systems for other ownership systems and other employment forms be established. It is, furthermore, necessary that these systems be comprehensive, form a system, and that they be enjoyed by fixed workers of whole people owned and collectively owned enterprises, by workers under a contract system, temporary workers, staff and workers in enterprises financed by the "three different ways of capitalizing," staff and workers of private enterprises, and by staff and workers of individual entrepreneurs, their helpers, as well as staff and workers in township enterprises. Free mobility between these entities must not be affected. We understand that the cities of Zhuzhou and Qingdao toward the end of last year established this kind of a multifaceted insurance system. In these two cities, if redundant staff leave their enterprise, and as long as they start work somewhere else, they will enjoy more or less the same insurance privileges as those in enterprises owned by the whole people.

Third, "comprehensive" in respect to the management system. Due to historical reasons, the administrative system of social insurance in many districts is in a state of great confusion. For instance, in some cities of Jiangsu Province, retirement expenditure for fixed workers of enterprises owned by the whole people is comprehensively taken care of by the finance departments, in the case of workers under labor contracts by the labor departments, and in the case of staff and workers of collectively owned enterprises by the insurance company. The multifarious administration is bound to lead to different decisions coming from different agencies and to mutual wrangling about who is to take care of what; this insurance mechanism will of course hardly function properly.

To solve these problems, the relevant experts have suggested establishing from top to bottom a comprehensive social insurance organization, which is to be responsible for the comprehensive planning and administration of all specific tasks of social insurance and also for the unified administration of social insurance funds. Prior to the establishment of a comprehensive social insurance organization, one sector of the administration (preferably the labor departments) should be designated to coordinate and administer insurance matters. We understand that up to the end of last year, 110 cities and counties in Shandong Province have made an arrangement to the effect that the retirement expenditures for staff and workers from state-run enterprises and from collective enterprises of prefecture, county, and higher ranks are comprehensively taken care of by society, so that Shandong Province became the first province in the country to have instituted a comprehensive insurance, with municipalities and counties as the operative units.

POPULATION

National Population Statistics Released HK1904140789 Beijing RENMIN RIBAO in Chinese 14 Apr 89 p 2

["Total Population, Natural Population Growth Rate, Planned Birth Rate, and Multiple Birth Rate of Various Localities in China"]

[Text]

Region	Yearend Total Population 10,000 people	Natural Growth Rate per thousand	Planned Birth Rate per hundred	Multiple Birth Rate per hundred
Beijing	1081	8.86	85.68	1.79
Tianjin	843	10.27	80.98	2.59
Hebei	5795	14.82	50.25	9.33
Shanxi	2755	13.86	50.23	17.10
InnerMongolia	2094	14.25	63.02	12.64
Liaoning	3820	10.71	94.51	1.41
Jilin	2373	12.72	87.41	2.41

Heilongjiang	3466	12.71	71.78	6.83
Shanghai	1262	6.40	97.77	1.12
Jiangsu	6438	10.14	70.74	6.11
Zhejiang	4170	9.19	79.85	2.64
Anhui	5377	15.20	53.04	14.17
Fujian	2845	14.71	36.93	17.84
Jiangxi	3609	13.99	32.01	21.49
Shandong	8061	11.50	63.98	12.87
Henan	8094	15.59	53.46	17.01
Hubei	5185	12.64	56.40	16.98
Hunan	5890	16.50	40.32	13.44
Guangdong	5928	15.83	42.21	24.08
Guangxi	4088	15.82	69.29	29.97
Hainan	628	15.37	42.97	33.73
Sichuan	10576	11.70	78.06	6.35
Guizhou	3127	17.80	44.09	28.30
Yunnan	3594	16.88	65.30	22.53
Tibet	212	17.18		
Shaanxi	3135	14.93	46.36	23.78
Gansu	2136	15.35	46.25	21.69
Qinghai	434	14.59	57.54	25.63
Ningxia	445	19.55	76.95	28.40
Xinjiang	1426	13.73	14.33	45.43

Note: The figures on total population, natural population growth rate of the various localities of the country are derived from a sample survey of population changes conducted by the State Statistics Bureau in 1988 and those of Shanghai, Jiangsu, Zhejiang, Anhui, Guangxi, Tibet, Ningxia, and Xinjiang are obtained from their household registration statistics. The figures on planned birth rate and multiple birth rate of the various localities are statistics of a sample survey of the nation's population growth and birth control in the first half of 1988 supplied by the State Family Planning Commission.

Urban Population Tops 300 Million OW2404014189 Beijing XINHUA in English 0123 GMT 24 Apr 89

[Text] Beijing, April 24 (XINHUA)—The urban population of China totalled 300 million at the end of 1988, 2.8 percent more than in 1987, according to the Census Register Department of the Ministry of Public Security.

At the end of 1988 China had 432 cities, 51 more than in 1987.

Shandong had the greatest number of cities—30. Hubei was next with 29. Jilin and Henan Provinces increased by six cities each.

TRANSPORTATION

Briefs on Railway, Port Projects; Imports, Exports OW0904110289 Beijing XINHUA in English 0847 GMT 9 Apr 89

[Text] Beijing, April 9 (XINHUA)—Today's economic news briefs:

Railway Section

Work on the expansion of a marshaling yard on the hub of three railway lines started this month at Xiangfan city, Hubei Province in central China.

The project is to cost 230 million yuan of investment. When it is completed in June 1992, it can accommodate 13,400 vans a day.

Dock

Construction of a dock catering to imports and exports has been completed at the port city of Jiujiang and passed state technical assessment recently.

The project, started in August 1986, will handle 600,000 tons of cargo annually.

Raw Materials

Xinjiang Uygur Autonomous Region, in northwest China, exported 7.36 million bbl of oil, 906,000 tons of coal and 444,000 tons of salt to other parts of China in the first quarter of this year. The figures represented an 8.7 percent, 5.6 percent, and 93 percent increase respectively over that in the same period of last year.

Foreign Investment

The Shenzhen Special Economic Zone signed 89 agreements with foreign investors in the first two months of this year, involving 39 million U.S. dollars, increasing by 31 and 18 percent compared with the corresponding period of last year.

PRC MEDIA ON FOREIGN ECONOMIES

Lessons From Poland on Price Reform

40060416 Beijing JINGJI YU GUANLI YANJIU [RESEARCH ON ECONOMICS AND MANAGEMENT] in Chinese No 1, 8 Feb 89 pp 64, 51

[Article by Zhang Jianping 1728 1696 1627 and Chen Lin 7115 3829: "What Can Be Learned From Poland About Price Reform"]

[Text] Very recently, the latest in 7 years of very serious workers' protest actions erupted in Poland. The Polish Premier Messner acknowledged that this time the protests were due in part to erroneous government policies. In discussing the latter, he especially raised the policy on price reform.

The price reform policy implemented in postwar Poland chiefly followed the planned wage model of the Soviet Union, with a belief that the "superiority of socialism" was embodied in the maintenance of price stability. For several decades, the production costs of many industrial and agricultural products has increased continuously. If price stability were to be maintained, the only recourse

was a great range of government subsidies to producers. For example, from 1953 to 1960, the price of wheat purchased by the Polish government increased 1.52 times, while the retail price of bread remained stable and did not change. In 1960, price subsidies made up 56.3 percent of the total expenditures in the Polish government's budget, and by 1979 had further increased to 61 percent. Price subsidies had become a heavy financial burden for the Polish government, seriously affecting construction investment.

At the beginning of the 1970s and 1980s, the heads of the Polish Communist Party at those times, Gomulka and Giersek, both felt it mandatory to change this illogical price system. All along they announced slashes in price subsidies and price rises for foodstuffs, seeking to ease the government's financial burden. However, the rise in food products brought with it sharp increases in the prices of other products, causing dissatisfaction among workers and urban inhabitants and touching off a wave of large-scale workers' strikes. In the end, Gomulka and Giersek fell from power, and price reforms were stillborn.

In 1982, Poland began implementing economic reforms, with price reforms the key aspect of these. They implemented a system with three kinds of prices: official, negotiated, and regulated. Numerous abuses resulted from this multiple pricing system's existence. Those enterprises which produced commodities at negotiated prices paid no attention to lowering costs, but relied upon raising the negotiated price to increase their profits, which led to price increases. The Polish authorities found it difficult to control price increases for these negotiated price commodities, and were able to restrict increases only in the official prices. As a result, the prices of officially priced commodities was irrational, while the situation of the government paying out enormous subsidies continued as before.

Poland's failure in its first attempt at price reform provided a beneficial lesson for other socialist countries. Economic reform cannot take price reform as a starting point; rather, it should begin with reform of the agricultural and industrial systems, letting the people get some good out of system reform. After the conditions are right, then make another move to implement price reforms. This would be safer, as a multiple system just will not work.

The Polish authorities realized that the first price reforms failed because of the side by side coexistence of both the old and new systems, which produced numerous contradictions. Therefore, they carried out a thorough price reform. In November, 1987, the Polish Communist Party put its plan for thorough reform of the pricing system to a vote of the people. Although the vote results showed that less than half of the citizens approved, the Polish Communist Party decided to implement the price reforms anyway, just slowing down the pace of the reform a bit. Because price reforms were of vital interest to every citizen, the Polish government

chose to implement these reform measures hastily, which inevitably led to dissension among the people and social upheaval. This is another lesson which we can learn from Poland's price reform.

At the beginning of last year, the Polish government announced a package program of commodity price adjustments, including a 40 percent rise in the price of foodstuffs, and cost increases of 50 to 100 percent for electricity, hot water and rent. Coal increased 200 percent in price, while other expenses, such as transport and postage, also went up in price. The masses of the people went into an uproar when they heard the news, and raised their voices in opposition. The Polish government hoped to "arrive in a single step," thoroughly settling the price question in a short period of time, but that was merely an illusion. The Polish lesson illustrates that price reform is a long-term, complex, and formidable task and must be carried out step by step.

The Polish government is aware that workers' wages must be raised at the same time that prices are adjusted, and that wages must be raised by a little more than the increase in prices, so that the masses of the people will be able to bear the pressures of price increases. According to the Polish Communist Party's plan, last year's price and wage increases were to be 34 and 36 percent, respectively, but the result of their implementation was that in the first half of last year prices increased by 58 percent. A significant number of enterprises, reacting to workers' strong demands, raised both the selling price of their products and the workers' wages by a considerable extent. The consequence of this was that during the first half of last year the average worker's wages rose by nearly 60 percent. People regard workers' wage increases as something natural, while they consider price increases as hard to bear. Due to the disparity in the range of workers' wage increases in each enterprise and department, protests from workers in the smaller enterprises and departments were particularly great. This touched off large-scale workers' demonstrations.

Because Poland's industry and agriculture was still at a standstill, the result of these great increases in workers' wages was that society's purchasing power greatly surpassed total social supply; added to the emergence in society of panic buying, this exacerbated the hardship of the goods and materials shortage, and aggravated price rises. In Poland itself the existing problem of inflation, after workers' wages were increased greatly, caused an even more irreparable increase in inflation. This shows that economic reform should primarily further the development of production, and under conditions of inadequate supply a sizable increase in workers' wages will result in panic buying which will worsen the shortage of goods and materials, and cause prices to skyrocket. Moreover, implementation of price reform cannot be an "isolated force penetrating deep into enemy territory," but must be studied comprehensively. There will be other, related errors, and above all there must be an

all-out attempt to control inflation. Other work, such as public finance, legal and governmental systems, etc., must carry out reform, making it more compatible.

The workers' job actions which have erupted this time have struck a serious blow against the Polish economy. According to the Polish Press Agency, strikes have cost Poland \$110 billion in coal exports alone. Although Poland's labor unrest has now calmed down, still it will be worth watching how the Polish government clears up the chaos and bolsters the economy. This is a task of the utmost difficulty, and cannot be done in a trial-and-error fashion. Poland's price reform is truly something that China can learn from.

AGRICULTURE

Minister Views Growing Agricultural Ties With India as Mutually Beneficial

OW0304041389 Beijing XINHUA in English
0237 GMT 3 Apr 89

[Text] Beijing, April 3 (XINHUA)—Sino-Indian agricultural cooperation is being expanded, CHINA DAILY reported today.

The English newspaper quoted He Kang, minister of agriculture, as saying that agricultural cooperation between the two countries was opening a new chapter in Sino-Indian cooperation.

He said that China and India are large agricultural countries with ancient civilizations and are the most populous developing countries in the world.

The population of the two countries makes up about 40 percent of the world's total. So Sino-Indian agricultural cooperation will promote the development, not only of world agriculture, but also of world peace, he said.

The minister said that the quantity of grain per person in India is 200 kilograms a year, about half of the Chinese amount. But India's milk production—from cows and buffaloes—is 10 times that of China. So China can learn milk production from India, he said.

In India there are 68 million head of buffaloes, used for milk and as working animals.

About 40 percent of China's 100 million hectares of farmland are dry or semi-dry land. China is interested in the Indian experience with dry land farm crops, milk cow breeding and managing and developing agriculture with foreign funds.

India, in turn, is interested in China's technologies of fresh water fish-farming, energy utilization in the countryside and the management of agricultural machinery.

The minister said the cooperation memorandum signed last month is the first for the two countries in more than 30 years.

Early last month, the minister led a Chinese agriculture delegation on a nine-day official visit to India.

It was the first Chinese ministerial-level delegation to India after the official visit by Indian Prime Minister Rajiv Gandhi last December.

During the visit, He Kang held talks with Indian Agriculture Minister Bhajan Lal on the issues of Sino-Indian agricultural science and technology exchange and cooperation.

The talks resulted in the signing of a memorandum by the two sides, which will be included in the agreement of the first session of the Sino-Indian Joint Committee on Scientific and Technological Cooperation.

China has also invited Indian Agriculture Minister Bhajan Lal to pay a visit here and he has accepted the invitation, He Kang said.

World Bank Loans Finance Agriculture Projects
HK1704120989 Beijing CEI Database in English
17 Apr 89

[Text] Beijing (CEI)—China has used 1.45 billion U.S. dollars of favorable World Bank loans to develop its agricultural sector with satisfactory social and economic results. The World Bank's agricultural loans to China started in 1982 fiscal year. To date, 13 loan items in agriculture, forestry and irrigation works and three items in rural education and research are being carried out or have already been completed. From 1986 to 1988, China received 60 million U.S. dollars of soft loans from the bank to build 11,000 hectares of breeding fish ponds, 15 relevant feed plants, four cold storehouses and six technological service centers in Shanghai, Beijing, Harbin, Shenyang, Chengdu, Hangzhou and Nanchang Cities. These loans are used properly and the using units are paying back the capital on time or ahead of schedule. An official from the ministry of finance said China is making efforts to put one-fourth of the World Bank loans, or around 500 million U.S. dollars per year, into the agricultural sector in the following years. In the next decade, China is expected to raise a total of 10 billion U.S. dollars for agriculture and agricultural capital construction, the official added.

UNDP, New Zealand Help Guizhou Livestock Industry
OW0404140289 Beijing XINHUA in English
1017 GMT 4 Apr 89

[Text] Beijing, April 4 (XINHUA)—China, New Zealand and the United Nations Development Program (UNDP) are to launch a joint project to help Guizhou, China's poorest province, spur livestock development under an agreement concluded here today.

The project aims at the development of low-cost, low-input livestock farming in the province, which has an annual per capita income of only 342 yuan (about 92 U.S. dollars).

Under the agreement, the project will establish three research and demonstration bases in three of the province's counties, which have high a proportion of minority nationalities such as the Miao, Buyi, and Tung, who have traditionally engaged in mixed-crop and livestock farming.

Some 185 livestock farmers are expected to participate in the research and demonstration work to be carried out under the project.

The government of China will contribute 10 million yuan in cash and kind; the government of New Zealand will contribute 790,000 U.S. dollars and the UNDP, 1.11 million U.S. dollars.

Fruit, Timber, Aquatic Product Taxes Adjusted
OW1104021789 Beijing XINHUA in English
1445 GMT 10 Apr 89

[Text] Beijing, April 10 (XINHUA)—Starting this year, China will unify taxes across the country on fruit, aquatic products, and timber.

According to a State Council regulation—"Taxes on Some Special Agricultural and Forest Products"—released today, the tax will be 10 percent for general aquatic products, certain kinds of fruits, and melons (such as water melons and musk melons), 15 percent for rare aquatic products and such fruits as oranges, apples, bananas, and litchis, and 8 percent for timber.

Taxes on products which yield huge profits or encroach on grain land can be raised but should be no more than 30 percent, the regulation states.

Taxes collected from the above-mentioned products will be used for agricultural development, according to the regulation.

In an interview with XINHUA, a leading official from the Ministry of Finance said the aim of the new regulation is to adjust profits yielded from special agricultural and forest products and from other farm produce and stimulate farmers' enthusiasm for grain production.

January Price Index for Free Market Trade
HK1704120389 Beijing CEI Database in English
17 Apr 89

[Text] Beijing (CEI)—Following is the price index of goods in free market trade in January 1989, released by CSICSC [China Statistics Information Consultancy Services Center]:

	(Note: Price in the same period of last year as 100.)		
	National	including:	
		Town	Countryside
General index	128.0	127.5	128.7
A. Price index of consumer goods	127.4	127.5	127.8
1. Grain	162.0	170.9	160.2
2. Edible vegetable oil	157.3	157.0	157.5
3. Vegetables	106.1	110.4	103.8
4. Dried vegetables	127.8	125.8	128.2
5. Meat, poultry, and eggs	126.4	126.6	126.4
6. Aquatic products	127.3	127.8	127.1
7. Fruits	151.1	151.1	151.0
8. Dried fruits	135.6	138.8	134.4
9. Daily necessities	143.4		143.4
10. Firewood	127.4		127.4
11. Other	128.3	128.1	128.3
B. Price index of agricultural means of production	132.2		132.2
1. Forage	156.5		156.5
2. Farm tools	127.7		127.7
3. Poultry, pigs, sheep, and goats	136.9		136.9
4. Large domestic animals	124.1		124.1
5. Bamboo and timber	121.8		121.8

Record Quantity of Salt Produced in 1988
OW0504203589 Beijing XINHUA in English
1607 GMT 5 Apr 89

[Text] Beijing, April 5 (XINHUA)—China produced a record quantity of salt last year, according to statistics from a national salt industry meeting held today in Wuhan, capital of central China's Hubei Province.

The total output was 22 million tons, 29.4 percent more than the state quota, and 25.6 percent higher than production in 1987.

The amount of table salt sold was 10.5 million tons, 39.3 percent more than the planned supply.

China is now establishing 43 salt projects that will produce 4.3 million tons a year when finished.

Hybrid Rice Area Increased in 1988
OW0604041289 Beijing XINHUA in English
1326 GMT 5 Apr 89

[Text] Kunming, April 5 (XINHUA)—The area of land that China devotes to the growing of hybrid rice increased last year by 15.8 percent on the figure for 1987. It now amounts to 190 million mu (about 12.66 million hectares).

A Ministry of Agriculture announcement at a meeting here says the growing area in the Yangtze River Valley, a major hybrid-rice growing area, is 10 million mu (about 666,000 hectares), almost 15 times larger than in 1987.

China's southwestern Yunnan-Guizhou plateau, another major growing area, devoted 7.4 million mu (about 490,000 hectares) to hybrid rice, a 58 percent increase over the 1987 figure.

Despite natural calamities in many areas, the country's average yield per hectare was 6.6 tons, equalling that of 1987.

An agricultural research institute in China's central Jiangxi Province has developed a new hybrid rice, which the southeastern Jiangsu Province has introduced to 42 hectares with a return of nine to 10.5 tons per hectare.

Experts have recommended that the new rice be grown in single-crop areas.

They estimate that hybrid-rice growing areas will reach 15 million hectares next year, with a maximum expectation of 20 million hectares in the next five years, or about 63 percent of the total rice-growing areas in China.

But they say the frequent rainstorms last year affected the rice seeds in southern provinces and it will not be easy to accelerate growth this year.

New Cotton Species Increases Profits
OW1804190089 Beijing XINHUA in English
0758 GMT 18 Apr 89

[Text] Beijing, April 18 (XINHUA)—Popularization of a new cotton species in central China has brought the country 530 million yuan in additional profits over the past three years, the PEASANTS' DAILY reported today.

The new species, developed by the Cotton Research Institute of the Chinese Academy of Agricultural Sciences, is of high quality, high-yielding, and resistant to diseases.

The new type was sown on 26,000 ha of land in 1986 and the sown areas expanded to 726,000 ha last year.

The per-ha yield averaged 1,275 kg in the Yangtze River Basin and 1,380 kg in the Yellow River Basin, the paper said.

The fiber length of the new species is 29.9 mm. Its maturation period averages 130 days, about one month shorter than that of other species.

The paper described the spread of the new species in rural China as a major breakthrough.

Animal Feed Production To Be Increased
HK0304141489 Beijing CHINA DAILY (BUSINESS WEEKLY) in English 3 Apr 89 p 2

[By staff reporter Wu Yunhe]

[Text] The Ministry of Agriculture is to take emergency measures to increase animal-feed production.

A senior official from the ministry said the measures were urgently needed to overcome the shortage of animal-feed caused by poor grain harvests and the fast-growing demands of the animal husbandry industry.

Wang Weisi, director of the ministry's Office of Feed Industry, said the country's fodder producers turned out nearly 30 million tons of feed last year—25 percent more than in 1987—by making use of 15 million tons of grain. But feed is still in short supply in China, he warned.

The ministry plans to plant wheat, maize and soybeans on an additional 13.3 million hectares of farmland and increase its supply of materials to the fodder industry, Wang added.

A revision of the animal farming industry's plan for development was also underway, he said. The ministry would no longer encourage farmers to raise more pigs over the next few years.

There are more than 300 million pigs in the country, 90 percent of which are raised by farmers. Most farmers feed their pigs with grain, Wang said.

He estimated that 4 kilograms of grain are used up in producing 1 kilogram of pork, while only 2 kilograms of grain are needed as fodder to produce 1 kilogram of chicken. There is still plenty of potential for production of poultry, sheep, cattle and fish—which consume less grain.

The further production of compound feed is another important means of saving grain, Wang said.

Compound feed, composed of grain, lysine-amino acids, vitamins, minerals and other nutritious elements, can greatly shorten the time it takes to fatten the animals for market. As much as 33 percent of grain can be saved by using compound feed instead of solely grain-made feed.

Wang said that if a pig eats 150 kilograms of grain as fodder a year, more than 15 billion kilograms of grain would be saved by feeding the country's 300 million pigs with the compound feed.

The ministry expects that of the country's 300 million pigs, about 100 million can be fed with the mixed feed this year, Wang said.

In order to reach the State's production targets, the feed industry had to tap its own strengths instead of solely relying on the government's help, Wang added.

He said the Shenyang fodder and Chicken Breeding Factory had developed its own maize production centre on the outskirts of Shenyang and built chicken processing shops and a sales network.

Last year, the breeding factory earned more than 6 million yuan in net profit by selling its chickens on domestic and international markets. Such breeding factories are located throughout China, Wang said, mainly in the provinces of Hunan, Zhejiang, Liaoning, Shandong, Hebei, and Jiangsu.

Causes, Proposed Solutions to Grain Shortage
40060504a Beijing JINGJI CANKAO in Chinese 2 Apr 89 p 2

[Article by Wang Mang 3769 3341 and Liu Yufu 0491 0060 1381: "Structural Imbalances, Not Absolute Shortage, Cause Grain Problem"]

[Text] Grain Shortage Not an Absolute Food Crisis

From recent interviews with the central ministries involved and a number of practical and theoretical workers in some provinces and regions in the central and western parts of the nation, the grain issue has become the focus of public attention. Many comrades think that the current grain shortage in China is not an absolute total food crisis. Instead it is a shortfall in food supply exacerbated by structural imbalances. We should begin by adjusting the imbalances to gradually alleviate the grain shortage.

China accounts for only 7 percent of the world's cultivated land. On a per capita basis, that amounts to only one-third of the world average. Yet China is among the world's largest producers of grain, cotton, and pork production and is a leader in grain yield per unit area. It ranks in the middle or below average in terms of per

capita grain consumption, but it has managed to feed 22 percent of the world's population, certainly no mean feat at a time when 500 million people still live under the shadow of famine worldwide.

In recent years, agriculture has lost steam, with declining inputs and lagging momentum. Price parities between industrial and agricultural products and between different agricultural products are irrational. When grain is underpriced, peasants suffer. There have also been natural disasters. As a result, grain production has been fluctuating. But this is not a phenomenon confined to China, but is part and parcel of a global grain stagnation. In the past few years, grain production has slowed in India, Mexico, Indonesia, and even the U.S., the leading grain exporter in the world. Besides, despite a multitude of factors causing the downturn in grain production, China has still managed to maintain overall production capacity at 400 billion kilograms, or 365 kilograms per capita, which is not too low by the standard of China's consumption habits.

Why then has the grain shortage gotten progressively worse in recent years at a time when social grain consumption has held fairly steady and has actually risen compared to the past? Where is the crux of the problem?

Anomalies Due to Imbalances

Anomaly 1: Administrative divisions have exacerbated the structural imbalances between grain-producing regions, self-sufficient regions, and grain-poor regions. To begin with, grain output, reserves, and per capita consumption have always varied from region to region. In addition, there are blockages in circulation. Some areas rigidly stick to old ways, worsening the inter-regional grain imbalances. Since 1983, it has consistently been a buyer's market as far as grain is concerned in Jilin and Heilongjiang in the northeast and some areas in Inner Mongolia. In Jilin, grain reserves were still a high 6 billion kilograms as of late September 1988, while new grain procurement amounted to 7.5 to 8 billion kilograms. To ease pressure on the warehouses and reduce the amount of funds thus tied up, Jilin has repeatedly asked the central government to allow it to "export" more corn to other parts of the country. However, the quota set by the state is only 3 billion kilograms. As a result, Jilin is saddled with a large volume of corn.

According to estimates by the experts involved, if this situation can be turned around, Jilin can "export" enough grain to relieve the grain shortages in Guizhou and Gansu five and eight times over, respectively.

Anomaly 2: The irrational distribution of grain varieties, leading to markedly uneconomical uses of cultivated land and grain. In the south, people emphasize rice production, while allowing acre upon acre of farmland to lie idle in the long winter season even though every condition is there for them to grow such dry-season crops as wheat, corn, and soybean. Yet little progress has been

made in the development of winter agriculture in most areas. The irrational distribution of grain varieties has led to some anomalies in grain utilization in those areas. In paddy-producing provinces like Hunan, Jiangxi, Hubei, and Anhui, one naturally does not have to worry about where rice is going to come from, but it needs to be supplemented by such grains as corn, wheat, and soybean. Over half of the feed plants in Jiangxi had to close because of a shortage of corn. Some cities in Jiangxi are so low on soy cake-based soy sauce that they had to ration it. In Hunan Province, which has historically been a grain and pork producer, 80 percent of the feed plants suspended production last year as a result of a lack of corn, forcing the peasants to feed their pigs with rice. Over the past few years, the province uses almost 2.5 billion kilograms of rice to feed pigs each year, enough to relieve the grain shortages in Shanxi and Qinghai six and eight times over, respectively.

Anomaly 3: The explosion in consumption has disrupted grain supply. First of all, the undue emphasis on excessive consumption and the encouragement of meat, egg, and milk consumption and the grain-consuming aquaculture are to blame. In Hunan, pig-raising consumes 6.5 billion kilograms of grain each year. In the west, the competition between man and livestock for grain is sharpening in grain-poor provinces and regions. Second, food-processing industries, especially the liquor industry, have been developing too rapidly and using up too much grain. In Guizhou, the liquor industry alone consumes 1.75 billion kilograms of grain each year, almost doubling its consumption a few years back. Third, changing consumer tastes have spurred undesirable shifts in local crop mix. Many places have thoughtlessly destroyed farmland to set up fish ponds and plant fruit trees, squeezing grain production in every way. Since 1985, new fish ponds and banana and orange cultivation have reduced farmland by over 700,000 mu in Guangdong.

Proposed Solutions

Are there quick and sound solutions to the grain problem? Many theoretical and practical workers have been energetically searching for a way out. Increasingly the consensus is that the present situation presents us with a combination of difficulty and hope, challenges and opportunities. Focusing on the fact that the current grain shortage is one of structural imbalance, they have put forward a few frameworks for experimental reform, which may represent the first step toward solving the problem.

Plan 1: Coordinate the grain production, operation, and management systems and establish some machinery that can truly organize, coordinate, and manage on the macro level. Under the present system, grain production, marketing, and management resemble "three carriages" running in different directions, with no driver in central

command. Not only is there no coordination, but arguments occur endlessly. To solve the grain problem, we must begin by overhauling the grain leadership and management system.

Plan 2: We should customize guidance and policies to suit the different kinds of regions—grain-exporting regions, self-sufficient regions, and grain-poor regions—and encourage “partnership” among them. In major grain-producing regions, we should concentrate on the development of commodity production and use our limited funds and material resources at the cutting edge to make the most of these regions and maximize total grain output, instead of distributing the resources equally from region to region. In self-sufficient regions, we should focus on increasing reserves and raising the level of self-sufficiency. In grain-poor regions, we should stabilize the amount of “imports” and concentrate on helping them create an environment in which they can solve the grain shortage on their own. Grain-poor regions can also establish a complementary agricultural structure in cooperation with grain-producing regions on the basis of mutual benefit.

Plan 3: Adjust the distribution and mix of grain varieties. First, the regions must make use of what is available locally or nearby and solve their problems through self-reliance. In the south, where a large amount of land lies idle in winter, we can develop the production of dry crops both to feed people and as a source of fodder, thereby saving a substantial amount of high-grade grain like rice. In the north, water-efficient agriculture has great potential. Second, prices should be used to regulate the structural imbalances between regions and crops. Some experts believe that raising grain prices across the board irrespective of regional differences not only is more burdensome than the state coffers can bear but may also trigger off successive rounds of price increases, not a real solution to the problem of structural imbalance in grain supply. The most effective method is to adjust prices differently between regions and crops and rely on the law of value to balance supply and demand. This will not have a national impact since it involves only micro-economic adjustments, so the risks are minimal.

Plan 4: Adjust the grain consumption pattern. On the one hand, we should advocate food diversification among the public and gradually improve the national diet. An appropriate increase in the proportion of coarse food grain consumed both is nutritionally healthy and will also help ease the demand for grain-grade grains. On the other hand, we should adjust the structure of the aquatics breeding industry by encouraging such grain-efficient industries like breeding fish and other plant-eating animals.

Plan 5: The grain problem we have today is a “syndrome,” so it must be cured by comprehensive treatment. What we must do right now is to open up the grain market, allow multi-channel operation, and solve the problem of inter-regional grain imbalances. Second,

we must disseminate applied science and technology that is practical and has an extensive impact and great potential for boosting output. We must rely on scientific and technical inputs to increase production, lower costs, and reduce the burden on consumers. Third, we must strictly control population growth and crack down on people who misuse or abuse cultivated land. Moreover, we should make a major effort to develop grain-substituting industries like good-quality forage grass, stock-raising timber, the feed industry, straw utilization, and man-made food, etc.

Water Shortages Plague Half of Country's Cities

HK0704141789 Beijing RENMIN RIBAO in Chinese
2 Apr 89 p 8

[Report originally carried by ZHONGGUO CHENGSHI DAOBAO [CHINA URBAN HERALD] on 16 March: “More Than 200 Chinese Cities Are Short of Water”]

[Text] According to information provided by the Ministry of Construction, more than 200 cities in our country, or more than half of all Chinese cities, are suffering water shortages, and the situation is especially serious in 40 to 50 of these cities.

The information shows that 86 percent of Chinese cities and about 100 million urbanites are using running water at a rate of more than 160 liters per person per day. These more than 200 cities now lack a total of 12 million tons of water a day, including 8 million tons of water for industrial use. This will bring about a reduction of more than 20 billion yuan in industrial output value a year.

There are three main reasons for the water shortage: 1) Water resources are insufficient for some cities and some have dried up, but quite a few are contaminated. 2) The water supply facilities of some cities are insufficient. Some waterpipes have been overused, some cannot suit the increasing demand at present, and some are of very bad quality. 3) Due to the low price of water, the water supply enterprises are unable to develop themselves. Over the past year or so, as the price of electricity has increased, the cost of water supply has also increased by about 20 percent. There are also some other factors. As a result, a serious “reverse” situation has appeared in water prices. Once a new water plant is put into operation, it will surely suffer losses.

Guangdong Harvests Winter Grain Crops

HK2004132989 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 19 Apr 89

[Excerpts] Our province has reaped a bumper harvest of spring grain crops.

Preliminary estimates made by the departments concerned demonstrate that the gross output of spring grain crops such as wheat, sweet potato, and corn is expected

to reach 670,000 tons or more, registering an increase of more than 30 percent over the same period of the previous year and topping the highest record in the 80's.

Our reporters pointed out: Since last autumn and winter all localities have changed the idea of looking down on grain output in agricultural production after they summed up experiences and drew lessons. They placed grain production on an appropriate position in economic development and motivated a large-scale activity of sowing grain crops last winter. Shantou city opened a group company for sowing of winter wheat, which set up wheat production bases in a county and 42 towns to arouse peasants to develop winter grain production on a large scale. [passage omitted] As a result, the gross wheat output of the city increased by 76 percent compared to the previous year.

Guangxi Becomes Hybrid Rice Breeding Base
HK1304135789 Beijing CEI Database in English
13 Apr 89

[Text] Nanning (CEI)—Areas around Yulin and Youjiang river valley in the Guangxi Zhuang Autonomous Region have become China's hybrid rice breeding base.

The areas this year have devoted 105,000 mu for the growing of hybrid rice seedlings. They are expected to turn out over 15 million kilograms of seedlings enough for a 10-million-mu rice farm.

The hybrid rice can produce 50 to 75 kilograms more than ordinary rice species per mu in one crop season. That means, the yearly two-crop farming can produce 100 to 150 kilograms more rice than other species in one mu.

The Guangxi Breeding Corporation is planning to expand the breeding areas for hybrid rice to satisfy local demands and possibly that of farms overseas.

Hunan Increases Feed Plants
40060603d Beijing JINGJI CANKAO in Chinese
10 May 89 p 2

[Summary] To support the livestock industry in Hunan Province, supply and marketing cooperatives have built 37 feed processing plants; annual output is 210,000 tons of mixed feed.

Expanding Population Encroaching on Jiangsu Farmland
OW1604224189 Beijing XINHUA in English
1442 GMT 16 Apr 89

[Text] Nanjing, April 16 (XINHUA)—Population increase is encroaching on scarce farmland in east China's Jiangsu Province.

According to the provincial statistics bureau, Jiangsu's farmland decreased by 23,000 hectares and its population increased by 900,000 in 1988.

Though Jiangsu is among China's best provinces in birth control, its population has increased at an annual rate of 500,000 since early 1980s. Last year, its population totalled 64.38 million, an increase of 648,000 over the previous year.

On the other hand, its farmland kept decreasing at an annual rate of 40,000 hectares from 1957 to 1987. Last year, 22,000 hectares of farmland was used for other purposes.

It is predicted that by the year of 2000, Jiangsu will have a population of 72.55 million, a net increase of 8.17 million over that in 1988.

According to an official from the statistics bureau, by then Jiangsu will need an addition of 350,000 hectares of farmland to keep grain consumption at the present level—500 kg per person.

"Measures should be taken immediately to protect farmland," he said.

Jiangxi Agricultural Loans
40060557a Nanchang JIANGXI RIBAO in Chinese
3 Apr 89 p 1

[Summary] This year agricultural banks in Jiangxi Province will provide 158 million yuan in specialized loans for forestry, food basket projects, and economic development of poor areas.

Rice Area in Jiangxi
40060557d Nanchang JIANGXI RIBAO in Chinese
13 Apr 89 p 1

[Summary] As of 10 April, Jiangxi Province had sown 23,345,300 mu to early rice. Of this area, the early hybrid rice area was 4,700,700 mu, an increase of 332,900 mu over 1988, or 7.6 percent.

Jiangxi Tobacco Area
40060501f Nanchang JIANGXI RIBAO in Chinese
6 Apr 89 p 1

[Summary] By the end of March, the tobacco area in Jiangxi Province was 357,700 mu, an increase of 22.6 percent over the same period in 1988.

Shanxi Implements Group Contracting of Cotton
40060519a Beijing JINGJI CANKAO in Chinese
10 Apr 89 p 1

[Article by Wu Zanting 2976 6363 1665: "Five Regions and Cities in Shanxi Conduct Group Contracting of Cotton Production"]

[Text] This year five cotton rich regions and municipalities of Shanxi Province—Yuncheng, Linfen, Jinzhong, Liuliang, Jincheng—began group contracting of cotton production. Recently leaders of these 5 areas and municipalities signed a cotton production and purchasing agreement with the provincial agricultural and Animal Husbandry Department and the Provincial Supply and Marketing Cooperative.

These five areas and municipalities contracted a total of 1.8 million mu of cotton with the volume of cotton to be purchased totalling 85,000 tons. The agreement clearly stipulates that the method used for assessment and awards would be the following: Any area, municipality or country that exceeds their contracted quota by more than 5 percent will receive an honorary award from the provincial government as an advanced cotton producing and purchasing unit. For those units that don't meet their production quota, their commissioners, mayors, and county magistrates along with deputy commissioners, vice mayors, and deputy magistrates that were directly responsible for agriculture will not be eligible for selection as an advanced worker for that particular year. The monetary amount of rewards and the award standards are determined by the county, those that meet their planned quota of planted area will receive 0.1 yuan per mu. Those that increase the scope of their purchasing tasks by 10 percent or less will be awarded 0.6 yuan for each 50 kg, and an increase of more than 10 percent will rate an award of 0.7 yuan for each 50 kg. Seventy percent of monetary awards are to be given to cadre at the township level and below and cotton growing households, 30 percent will go to related personnel at region, municipality, and county levels. The agreement also stipulates the amount of chemical fertilizer, pesticides, plastic sheeting, and diesel fuel to be supplied to regions and municipalities each season.

Sichuan Pig Procurement Problems
HK1304042189 Chengdu Sichuan Provincial Service
in Mandarin 2300 GMT 12 Apr 89

[Text] The practice of issuing blank chits to the peasants in procuring agricultural and sideline products, which was eliminated in Sichuan before the Spring Festival, has recently reemerged in varying degrees in pig procurement work. This phenomenon has caused unease among the peasants and aroused a high degree of attention by the departments concerned.

According to an investigation by the departments concerned, in the first 2 months of this year Jiange County issued blank chits worth a total of 790,000 yuan despite

the fact that loans for pig procurement stood as high as 7.64 million yuan. Unpaid sums for pig procurement in Wanxian Prefecture now total 7.12 million yuan, directly affecting the interests of 30,000 peasant households. According to our information, this phenomenon also exists in varying degrees in other prefectures and cities in the province.

There are two reasons for the emergence of this phenomenon of blank chits. First, there is a serious oversupply of pork. Pork stock in the province now totals 120,000 tons, tying up 940 million yuan in capital. Second, capital turnaround is ineffective and money cannot be paid for goods. Thus there has formed a strange situation in which pigs enter the towns but no capital flows back to the rural areas, and pork is shipped out of the province but no capital returns to Sichuan. This means that the Agricultural Bank can hardly afford to make fresh loans in support of pig procurement. In addition, the procurement departments in certain areas are tying up and misappropriating capital for pig procurement. This is another cause of the difficulties in the turnaround of pig procurement capital.

Tibet Setting Up Brewery Near Lhasa
OW0104210189 Beijing XINHUA in English
1555 GMT 1 Apr 89

[Text] Lhasa, April 1 (XINHUA)—Northwest China's Tibet Autonomous Region is preparing to set up a brewery on the outskirts of its capital Lhasa, according to Dandzim, head of the preparation group for the brewery.

Dandzim said that the brewery will use barley to produce high-quality beer.

Since 1984, the Institute of Agricultural Science has been growing barley in Dagze and Doilungdeqen Counties, on the outskirts of Lhasa.

Last year the institute grew 1,300 mu (equal to 86.67 hectares) of barley in the two counties and the average output of barley per mu reached 200 kilograms.

They are expected to expand the barley-growing area to 5,200 mu (equal to 346.67 hectares) this year and produce one million kg of barley to meet the brewery's production quota of 5,000 tons (about five million litres) of beer in 1990.

The first phase of the project is nearly completed and the first batch of beer will be put on sale on October 1, the 40th anniversary of China's National Day.

The official in charge of the brewery told XINHUA that they had imported advanced equipment and trained personnel.

When it is put into overall production, the official said, the brewery is expected to turn out a total of 10,000 to (about ten million litres) of beer and soft drinks annually.

Yunnan Rural Loans

40060557e Kunming YUNNAN JINGJI BAO
in Chinese 3 Apr 89 p 1

[Summary] In January and February, rural financial departments in Yunnan Province allocated over 1.26 billion yuan in agricultural loans. Of this amount, 320,460,000 yuan was used for agricultural production; 377,570,000 yuan was used to procure farm and sideline products; and 565,320,000 yuan was used to supply production materials and industrial goods to rural areas.

Zhejiang Experiencing Problems in Farm Supply

40060519c Beijing JINGJI CANKAO in Chinese
11 Apr 89 p 2

[Article by Xu Qun 6079 5028: "New Challenges Facing Specialized Management of Farm Supplies, a Perspective on the Supply of Zhejiang's Farm Supplies Becoming Sluggish"]

[Text] The eye-catching specialized management of farm supplies has been in use for over 3 months. While this has allowed farmers to finally heave a sigh of relief, the heavily burdened supply and marketing cooperatives have slipped into a situation where it is difficult for them to advance or retreat and are faced with some very serious challenges.

Challenge Number I: Specialized Management Creating "Special Losses"

Things didn't turn out as people expected and the supply and marketing cooperatives failed to receive any "special profits." The specialized management had only been in use for 2 months when the situation suddenly began to change. Farmers that formerly would rush out to purchase materials when they had money abruptly changed to a wait to buy attitude. This shows that the specialized management initially achieved the goals of stabilizing the market and farming, however, along with this also emerged the problem of overstocked warehouses.

Since the beginning of February, Zhejiang's reserve stocks of chemical fertilizer, pesticides, and plastic sheeting have grown to 1,329,400 tons, 27,500 tons, and 6,125 tons respectively, this represents increases over last year of 16.8 percent, 31.1 percent, and 42.1 percent. Also during this same period of time there was a sharp reduction in the volume of these materials sold. Compared to the same period last year the volume of material sold showed decreases of 21.7 percent, 18.7 percent, and 20.5 percent respectively. From January to February total sales for the province were only 69.35 million yuan, a decrease of 14.4 percent compared to last year.

Based on what we have learned, the total value of farm supply stocks in Zhejiang is 640 million yuan, this represents a huge increase of 48.2 percent compared to the same period of last year and a 150 million yuan increase for the year. The momentum in overstocked warehouses is still developing and is expected to continue until April or May. This means that each day over 200,000 yuan must be paid out in interest payments to banks. This is something that the small profit making farm supply companies cannot bear.

Challenge Number II: A "Warehouse" for Thousands Upon Thousands of Families and Households

Zhejiang's farm supply system has made production and supplies for spring plowing its first order of business, it mobilized and organized sources of goods so there would be a large increase in stocked supplies compared to other years and increases the amount of material that could be supplied for spring plowing by 20 percent.

This brought about dramatic results. The better the specialized management work was done the heavier the burden on overstocked warehouses became.

In the past under state monopoly for purchasing and marketing, large amounts of supplies were stored in thousands of household "small storehouses" and the monetary responsibilities were divided among thousands and thousands of families and households.

After implementation of specialized management, farmers guided by the law of value became aware of the importance in cutting down production costs and raising the benefits acquired from funding. With the situation of having a stable market they don't need to impatiently buy excess chemical fertilizer and pesticides anymore but can wait and purchase these based on needs of production. This should be termed a large step forward for society but at the same time it has brought about some difficulties such as the supply in marketing cooperative becoming the "large storehouse" for thousands of families and households.

In speaking about the state, on one hand it requires the supply and marketing cooperatives to assume the heavy responsibilities of specialized management but puts various limits on it regarding pricing. While on the other hand it uses the supply and marketing cooperatives as a "cooperative organization for farmers" and eliminates or greatly restricts financial subsidies which puts a great financial burden on the supply and marketing cooperatives.

Challenge Number III: Single Families Acting Alone

Based on data from the Zhejiang Farm Supply Company, the province's need for chemical fertilizer, pesticides, and plastic sheeting is continuing to grow and is experiencing large shortages. This year the province planned to supply 4.2 million tons of chemical fertilizer

but could actually provide only 3.6 million tons, this equates to a shortage of 600,000 tons. It was planned that 46,000 tons of pesticides were to be sold but only 36,000 tons could be supplied.

Managers of many farm supply companies say that the thing they are most worried about now is not that they may be unsuccessful in arranging materials but rather the current shortage of funds. The supply and marketing cooperative acting as the "storehouse" for thousands and thousands of families and household has resulted in a slowdown in withdrawal of currency from circulation and difficulties in transferring funds. Since the beginning of February, the funding shortage in the farm supply system has reached 110 million yuan. Not long ago Zhejiang Province signed a contract with the China Petrochemical Corporation to import a total of 30 million yuan of chemical fertilizer. However, when the cargo ships arrived at the port the Provincial Agricultural Bank withdrew its loan and guarantees to the Farm Supply Company because of the large amount of funds lying idle in the company. All the Farm Supply Company could do was watch helplessly as the two shiploads of cargo slipped through their hands.

In the commodity economy environment there are continuous conflicts arising between the state, farmers, and the farm supply cooperatives, and also between departments and interests within the departments which causes specialized management with its product economy nature to be in an embarrassing situation.

A Possible Remedy: Speed Up Self Reform

Specialized management must assume a heavy social responsibility and cannot rely on state subsidies or shifts in price factors. During the recent Exchanging Experience in Providing Systematic Service of Farm Supplies Conference held in Zhejiang, bankers stated that we should continue with the implied meaning of the supply and marketing cooperative's "three characteristics" to eliminate unfavorable factors. A summary of their experiences in this area is listed below.

—The agent system. Give full play to the advantages of having supply and marketing cooperatives knowing information about materials and transportation and storage facilities, farmers are to raise funds according to needs, and supply and marketing cooperatives are to do the purchasing, transportation, and storage for the farmers and collect appropriate service charges which will lighten the pressure on funding.

—Farm material supply contract system. Supply and marketing cooperatives in Cixi and other areas are to compile statistics on the yearly amounts of farm supplies required by households and villages that cultivate large areas and organize sources of goods. Afterwards these companies will sign material supply contracts with the large farming households and villages for: Money to purchase goods, storage of material, and delivery and payment of goods.

—Promote sales with technology. Lanxi, Dongyang, and other cities have established "crop hospitals" to develop prevention and control of plant diseases and elimination of pests and to promote farm supply sales through the process of using agricultural technology. Many local supply and marketing cooperatives have taken the initiative and jointly set up a series of farm supply and agricultural technology service centers with agricultural technology and grain departments. They established farm supply stations and pesticide dispensing stations at the doorsteps of farmers which brought material supply down to a lower level.

—Establishing a farm supply reserve risk fund system. Some localities are currently exploring this area, on one hand they propose that the governmental departments take a portion of the current reserve funds from factories or raise a certain amount of funding from society, and on the other hand they are motivating farmers to collect funds to establish a farm supply reserve risk fund. Farmers that participate in the risk fund can enjoy priority and preferential treatment in the supply of farm materials.

Scholars Urge Translations of Chinese Literature
OW1504015489 Beijing XINHUA in English
1620 GMT 14 Apr 89

[Text] Beijing, April 14 (XINHUA)—Nowadays, a great number of foreign literary works are being translated in China but few Chinese literary works have been translated into foreign languages, reported today's PEOPLE'S DAILY.

The paper explained that scholars are worried about the situation, for in the period of reform China hopes to learn more about the outside world and hopes that the outside world will learn more about China.

They hold that introducing more Chinese literary works to foreigners is an important way to let the world know more about the country, and they complain that little effort has been made in this direction in the past few decades.

One scholar said he felt very sad on finding that foreigners are so ignorant of Chinese literature, especially modern and contemporary works. Even Lu Xun, China's most famous modern writer, was unknown to people he met abroad, he said.

The scholars say that there are quite a few masterpieces in Chinese literature, but the problem is how to select works which appeal to foreign readers.

Free translation is better than literal translation, the scholars suggest, as China's political and cultural backgrounds are unfamiliar to foreign readers.

In order to encourage more people to translate Chinese works into foreign languages, a foundation has been set up by the Chinese Writers Association, said Shao Hua, secretary of the association.

Meanwhile, the association will publish a series of books on "Chinese Writers' Views of the World," the paper said.